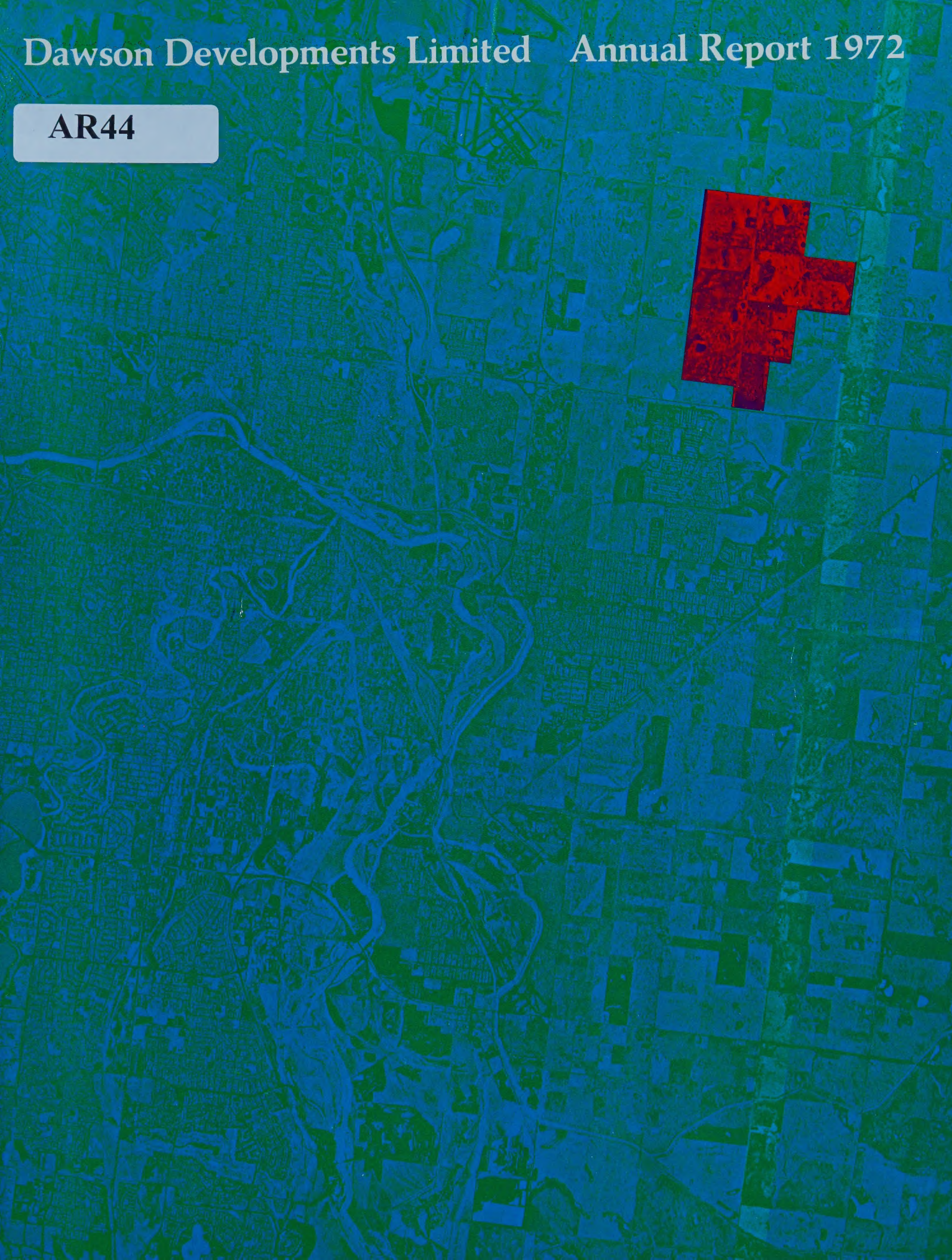


Dawson Developments Limited Annual Report 1972

AR44



A Message from the Chairman

As anticipated, the 1972 year was one of many challenges, the most significant of which was a prolonged labour dispute, which materially affected the Company's operations. It is with a great deal of pride that we acknowledge that the Company met these challenges and continued its projected growth and profitability.

The ever present demand for more residential accommodation is evident and all levels of government are committed to alleviating the chronic shortage of low-cost housing. Your Company has displayed a proven leadership in this field and pledged its fullest co-operation and deployment of its technical capabilities to satisfy the need.

It is with confidence that the management of your Company approaches 1973 which promises to be one of the Company's most outstanding in terms of accomplishment and profitable operations.



G. R. Dawson,
Chairman of the Board.

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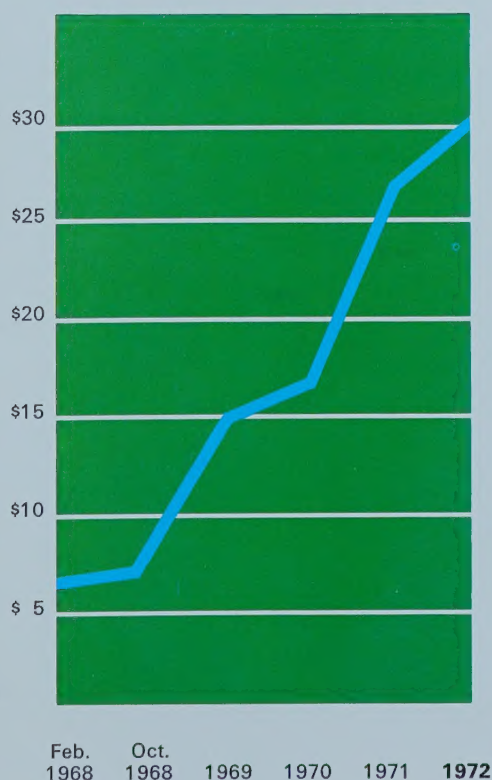
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8 Year Financial Highlights

	1966	1967	February 1968	October 1968	1969	1970	1971	1972
Operating Revenue (in \$000)	2,296	5,145	6,151	6,329	14,876	15,417	26,116	29,912
Net Income (in \$000)	72	36	50	324	782	708	856	984
Cash Flow per share	N/A	N/A	0.33	0.56	1.43	1.55	1.82	*1.87
Net Income per share	N/A	N/A	7¢	43¢	78¢	71¢	86¢	*90¢
Total Assets (in \$000)	1,176	3,635	4,141	5,965	12,977	25,355	35,852	53,051
Shareholders' Equity (in \$000)	122	146	197	540	2,472	3,180	4,037	6,545
Shareholders' Equity/share at year end	N/A	N/A	N/A	0.72	2.47	3.18	4.03	5.43
Number of shares outstanding	N/A	N/A	N/A	750,000	1,000,000	1,000,200	1,000,200	1,204,360
							average	1,097,107

*Based on average number of shares during the year.

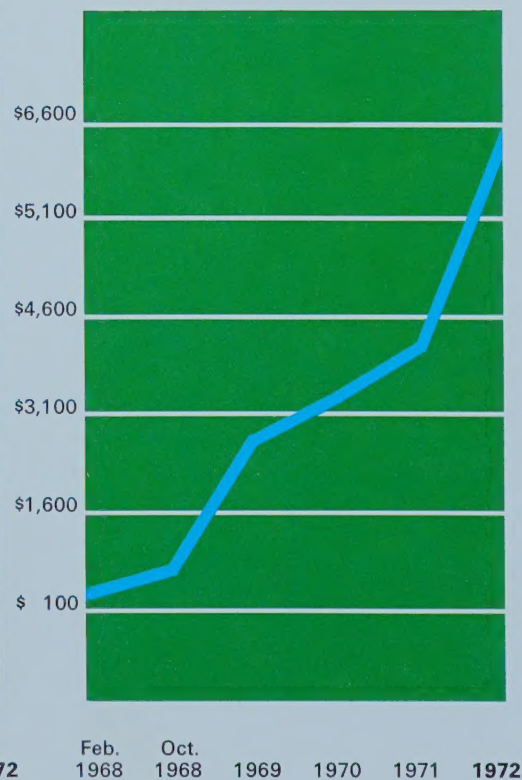
Operating Revenue (in \$000)



Cash Flow per Share



Shareholders' Equity (in \$000)





POINT
ATKINSON

29

31

28

27

INDIAN

BURRARD

INLET

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14

33

34

5

26

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STRAIT

OF

GEORGIA

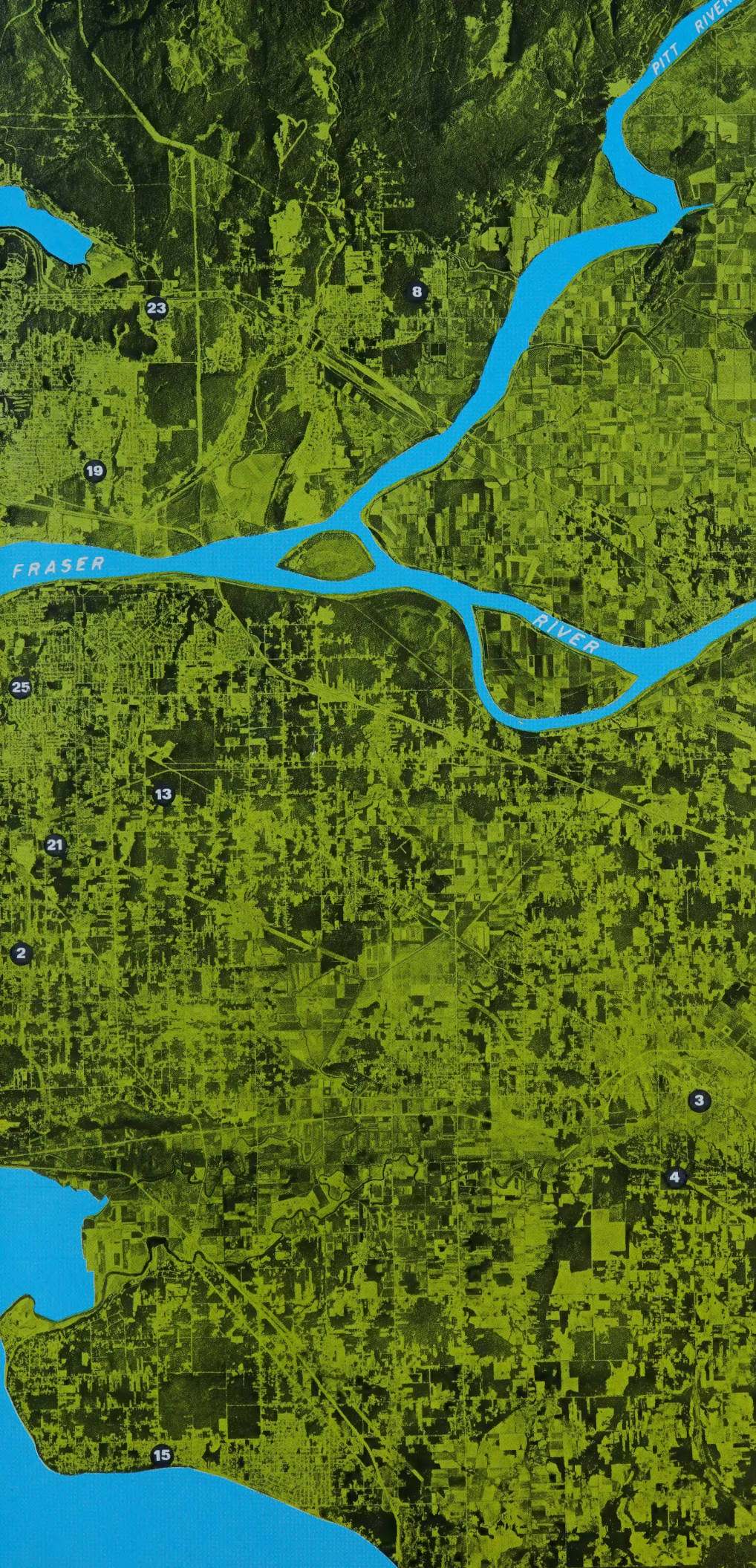
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6

ROBERTS

BANK

BOUNDARY BAY



Greater Vancouver and the Lower Mainland

Land Held for Development

1. 1300 Alberni
2. 72nd Avenue, Surrey
3. Douglas Crescent, Langley
4. Langley
5. Lake City East, Burnaby
6. Ladner Trunk Road, Delta
7. 56th Street, Delta
8. Lincoln Avenue, Port Coquitlam

Land Under Development

9. Lions Bay

Real Estate Projects for Resale Under Development

10. 1800 Haro Street, Vancouver
11. Pendrell & Bidwell, Vancouver
12. Burrard & 11th Avenue, Vancouver
13. 96th Avenue, Surrey
14. Montecito, Burnaby
15. Ocean Ridge, White Rock
16. Twelve Pines, Vancouver
17. Panorama Place, Vancouver
18. 12th & Burrard, Vancouver
19. Rochester Park Estates, Coquitlam
20. Single Family Houses, Delta
21. Single Family Houses, Surrey
22. Vancouver Industrial Park, Vancouver
23. St. John's, Port Moody (Brookside)
24. No. 3 Road, Richmond
25. 186 townhouses, Surrey
26. Greentree Village, Burnaby
27. East 2nd Street, North Vancouver
28. West 4th Street, North Vancouver
29. Esquimalt Avenue, West Vancouver

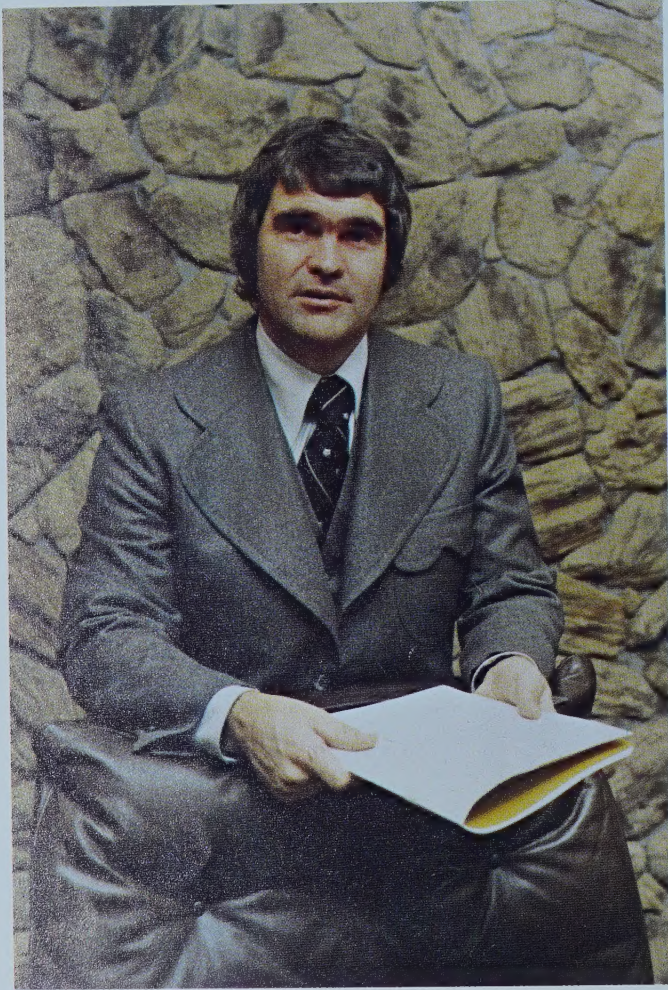
Income Properties Under Construction

30. B.C.F.P. Building, Vancouver
31. Woodcroft, North Vancouver
32. 1655 West Broadway, Vancouver

Income Properties

33. Club Montecito, Burnaby
34. Villa Montecito, Burnaby

The President's Report



John W. Poole

It is with sincere pleasure and a very real sense of accomplishment that I present this report for 1972. Fiscal 1972 was a year of great achievement for your Company. A financial comparison indicates an increase in gross revenue (\$29,912,000 versus \$26,116,000), total assets under administration (\$53,000,000 versus \$35,000,000), earnings (\$984,000 versus \$856,000), and earnings per share (\$.90 versus \$.86). However, the more significant achievements lie in the following areas: first, a treasury issue of 200,000 shares and a secondary issue of 100,000 shares were marketed in the spring of 1972 and during the balance of the year the capital raised was productively invested with no dilution of per share earnings; second, a great deal of your Company's activity was directed toward projects which will have material effect on future earnings. I refer now to our major land assembly in Calgary which was brought to formal zoning by the Calgary City Council, and to the continued development of three major income properties which will be retained in your Company's portfolio.

Dawson Developments Limited consists of five profit centres: Land, Commercial Real Estate for Sale, Residential Real Estate for Sale, Construction and Income Properties. An analysis of the divisions follows.

Land

The Company's Land Division was extremely active in 1972 — gross land sales were \$6,215,000 and 56% of the year's gross profit came from this division. Included in the land sales were 64 lots in Lions Bay, British Columbia, 85 lots in Leduc, Alberta, a subdivision of 310 lots in Richmond, British Columbia, and 96 lots in Port Coquitlam, British Columbia. At the same time the Company was profitably selling land, further acquisitions were concluded maintaining the inventory at approximately 2,300 acres.

Perhaps the most significant event of 1972 was the approval of a master development plan by the City of Calgary on November 6, 1972 for the Airport Sector, of which Dawson Developments Limited owns 1,260 acres. This community has been tentatively named *The Properties*.

The Properties will be developed over the next eight years with the first building lots being marketed in the spring of 1973. This land assembly represents, for the first time in the Company's history, a development which will provide income for several years. The importance of this land holding cannot be overstated.

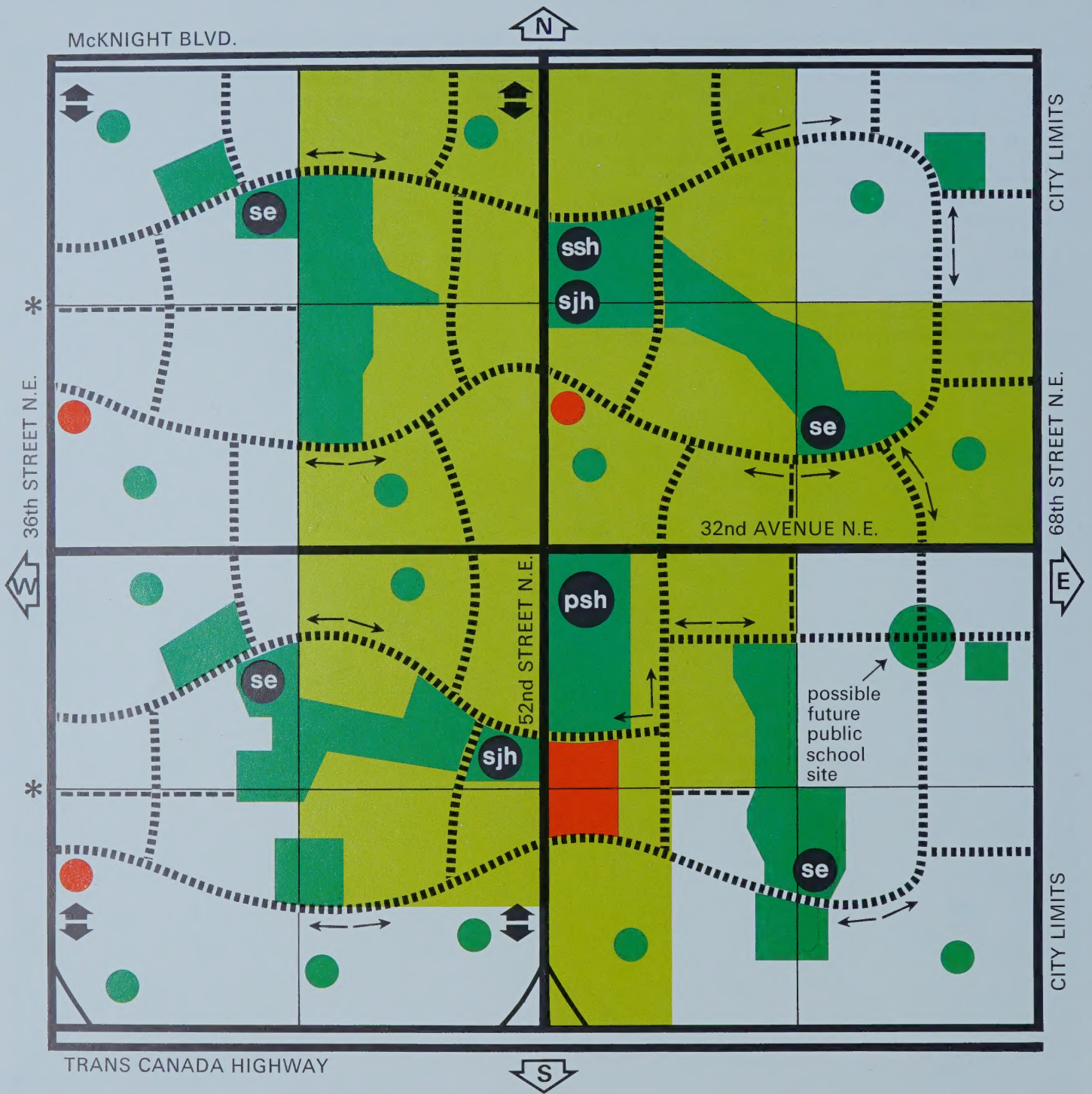
When fully developed, the Company's holdings in *The Properties* will provide accommodation for 30,000 people and will include neighbourhood shopping centres, schools, community facilities and in all likelihood a regional shopping centre.

The function of the Land Division is to earn development profit through acquisition, servicing, subdivision and resale of land, as well as to provide land acquisitions for other divisions.



"The Properties", Calgary, Alberta

Airport Sector Plan



Land Use and Circulation

	Open space for parks, schools and recreation		"The Properties"		Major Streets
SE	Separate Elementary School		Local Open Space/Tot Lots		Collector Streets
SJH	Separate Junior High School		Sector Centre		Pedestrian Link
SSH	Separate Senior High School		Freeway		Transit Routes
PSH	Public Senior High School		Expressway		Bus Loop
Note: The number, type and location of other public schools will be determined by future School Board policy and educational needs.					Neighbourhood Shopping Centre



Commercial Real Estate

In 1972 the Commercial Division generated revenue of \$3,412,000 producing 27% of the Company's gross profit for the year. Included in the 1972 figures were the sales of the Company's interest in a parking garage, a store built in Surrey, British Columbia for Crown Zellerbach Stores Limited, and the first phase of the Company's industrial park in Calgary, Alberta.

In addition to the projects completed and sold during the year, 1972 was also an active year for the development of new commercial projects. Construction has commenced on three office buildings, one in Calgary and two in Vancouver, and also on the first phase of a 200,000 square foot industrial park in

Edmonton. Land was acquired in Calgary for two large free-standing stores, one of which is presently being built for Crown Zellerbach Stores Limited, and final plans are being drawn for a 400 car parking garage in Calgary. The Company is also a 50% partner in an industrial park in Vancouver which is under construction.

The objectives of the Commercial Real Estate Division are first, to build projects for resale, which will provide income each year; and second, to build selected properties for retention in the Company's income property portfolio, which will create a recurring source of cash flow.



HomeTown, Surrey, British Columbia



B.C.F.P. Building, 1050 West Pender Street, Vancouver, British Columbia



HomeTown interior



Mayland Centre, Calgary



4th and 5th Building, Calgary



Vancouver Industrial Park, Vancouver

Residential Real Estate for Sale

The Company's Residential Real Estate profit centre in 1972 produced revenue of \$11,425,000 contributing 12% of the year's total net profit.

Three projects which commenced in 1972 will have an important effect on 1973's overall activity. The Company's Burnaby land holding, known as Montecito City, was developed as three separate condominium plans totalling 206 units. As of this date approximately 85 units have been completed, 65 of which have been sold, and plans call for full completion

of this project in July of 1973. In the South Granville area of Vancouver the Company built and sold 35 condominium units in the summer of 1972. At the same time, we acquired land for three similar condominium projects which are currently under development. We are very encouraged with the results to date. The Company also has a 50 acre land holding in Burnaby, British Columbia which is in the process of being zoned for 450 condominium and single family units. A great deal of effort has gone into the planning of this project and when the final zoning is received,



Ocean Ridge, White Rock, British Columbia

Ocean Ridge



anticipated in January 1973, construction will begin on the first phase.

The Company's objective as far as this division is concerned is to market a variety of dwelling units in response to specific market demands in various locations in the three major cities of Alberta and British Columbia, concentrating on detached homes in Edmonton, and apartments and townhouses for sale in Metropolitan Vancouver.



Panorama Place, Vancouver



Panorama Place

Construction

The Construction Division experienced a reduction in gross revenue from \$10.6 million in 1971 to \$7.6 million in 1972 due to declining volume of resource town construction. While our urban construction was productive, construction in resource communities was not. It has become increasingly difficult to maintain a high level of quality control and productivity in remote areas and an assessment of this activity indicates clearly that our development capability can be more profitably employed in major urban areas. The Company will discontinue activity in resource towns upon completion of all current contracts and will not enter into new contracts in 1973. In resource community construction we have virtually completed all our commitments, while in urban construction we have several projects underway.

The objective of the Construction Division is to build projects for the Company's other divisions and for joint ventures in which the Company is a party. The Construction Division builds projects for resale which contributes to current profits; it also builds projects for retention, which creates deferred value until the project is sold.

Income Properties

The Company's Income Properties portfolio consists of 535 residential units. During the first nine months of 1972, this division sustained a loss after interest and depreciation of \$200,000 due to a large number of vacancies. However, during the final three months of the fiscal year, many vacancies were filled and as a result, this division broke even in the final quarter.

In 1973 we expect a gradual improvement in cash flow from existing apartment properties but this profit centre will not be a significant contributor to earnings until 1974 when our two major office buildings will be on stream.

At this time the Company is making no new commitments on residential income properties. Rents have not moved upward in pace with increased construction costs, interest expenses, operating expenses and property taxes. The same does not hold true for commercial income properties and as the Company's capital permits, we will expand our Income Properties Portfolio with commercial income properties.

The objective of this division is to expand the portfolio of income properties in a manner that will create capital cost allowances to shelter the cash flow from other divisions and at the same time to produce an increasing percentage of the Company's total income.



Club Montecito interior, Burnaby, British Columbia



Club Montecito

Outlook

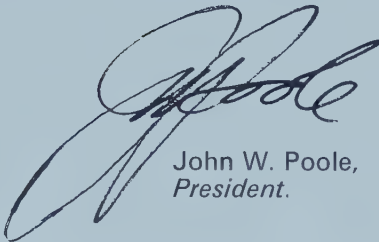
As increased revenues from all profit centres are expected for 1973, net earnings should increase in direct proportion.

The objective of Dawson Developments Limited is to build a solid diversified real estate company responding to growing demands for shelter in major metropolitan areas. Population growth generates demand for shelter and we seek an increasing share of this total market. Our internal development is in a phase wherein we are emphasizing the creation of projects that will generate an on-going income rather than projects which produce singular effects on our income. In the next few years we will strive to increase the proportion of the Company's recurring income.

We are well established in Edmonton, Calgary and Vancouver with major projects under development and we are researching selective development opportunities in Eastern Canada. Mortgage funds are in good supply and we are well capitalized to carry out expansion in all profit centres. Your Management Team

is young, aggressive, and highly motivated. The results for the coming year, which will be largely due to their efforts, will not disappoint you.

On Behalf of the Board of Directors,



John W. Poole,
President.



Golf course, Villa Montecito, Burnaby

Analysis of the Company's Major Real Estate Assets

Land Held for Development

<i>Project</i>	<i>Date acquired</i>	<i>Acreage/square feet</i>	<i>Use/comment</i>
<i>ALBERTA:</i>			
1. "The Properties", Calgary	1971-1972	1,260 acres	Zoned for residential and commercial use. For development 1973-1980.
2. Mayland Centre, Calgary	1971	8 acres	Zoned for light industrial use. For development 1973-1974.
3. 5th Avenue & 4th Street, Calgary	1971-1972	28,150 square feet	Zoned for high density commercial use. For development 1974 or 1975.
4. Barlow Trail, Calgary	1972	72 acres	Zoned agricultural. For development, subject to rezoning, in 3-5 years.
5. 1st Street & 4th Avenue, Calgary	1972	14,000 square feet	Zoned for high density commercial. For development in 1974 or 1975.
<i>BRITISH COLUMBIA:</i>			
6. 1300 Block Alberni	1971	51,876 square feet	50% interest in land for high density commercial or residential use.
7. 72nd Avenue, Surrey	1971	37 acres	Zoned for agricultural use. Anticipated rezoning for single family use. Development in three years.
8. Douglas Crescent, Langley	1972	8.78 acres	Zoned for residential use. Development in three years.
9. Penticton	1969	15 acres	Zoned for residential use. For sale or development.
10. Western Acres, Prince George	1969	380 acres	Zoned for residential use. Land to be developed or sold as single parcel.
11. Langley	1972	144 acres	Zoned for agricultural use. Anticipated rezoning in 1973 for residential and commercial use. Development in the next five years.
12. Lake City East, Burnaby	1969	18.4 acres	Zoned under comprehensive development for 439 apartment and townhouse units. For development or resale in 1973-1974.
13. Ladner Trunk Road, Delta	1969	164 acres	Zoned for agricultural use. Anticipated rezoning for light industrial use. Development over five years.
14. 56th Street, Delta	1971	53.7 acres	Zoned for agricultural use. Anticipated rezoning for single family use. Development over two years. Land purchase conditional upon rezoning.
15. Lincoln Avenue, Port Coquitlam	1972	10 acres	Zoned for residential use. Land to be subdivided into 53 lots and sold.
<i>OTHER:</i>			
16. Lincoln City, Oregon	1969	155 acres	Property zoned for residential use. To be offered for sale as single parcel.

Land Under Development

<i>Project</i>	<i>Type</i>	<i>Size</i>	<i>Comment</i>
<i>ALBERTA:</i>			
17. Leduc	1970	35 acres	Land being subdivided into building lots and services being provided. 85 lots sold, 115 to be sold.
<i>BRITISH COLUMBIA</i>			
18. Lions Bay	1967-1971	115 acres	Land being subdivided into building lots. For sale in 1973 and 1974.
19. Five Coves	1970	3 lots	Recreational land being offered for sale.

Real Estate Projects for Resale Under Development

<i>Project</i>	<i>Type</i>	<i>Size</i>	<i>Comment</i>
<i>RESIDENTIAL:</i>			
20. 1800 Haro Street, Vancouver	High rise condominium	122 units	Construction to start in early 1973; completion and sale in 1974.
21. Pendrell & Bidwell, Vancouver	High rise condominium	104 units	Project under construction. Completion and sale in late 1973.
22. Burrard & 11th Avenue, Vancouver	Low rise condominium	32 units	Construction to start in early 1973; completion and sale in mid 1973.
23. 96th Avenue, Surrey	Low rise condominium	186 units	Construction to start on first of three phases in early 1973; completion and sale in mid 1973.

<i>Project</i>	<i>Type</i>	<i>Size</i>	<i>Comment</i>
24. Montecito, Burnaby, B.C.	Low rise condominium	149 units	Under construction. First phase is complete and selling; second and third phases are incomplete pre-selling.
25. Ocean Ridge, White Rock	Low rise condominium	27 units	Units completed in 1972 and for sale.
26. Twelve Pines, Vancouver	Low rise condominium	26 units	Project nearing completion and selling.
27. Panorama Place, Vancouver	High rise co-operative	146 units	Suites being offered for sale.
28. 12th & Burrard, Vancouver	Low rise condominium	41 units	Under construction. For completion and sale in early 1973.
29. Rochester Park Estates, Coquitlam	Townhouse condominium	40 units	Under construction. For completion and sale in early 1973.
30. Woodstock, Edmonton	Townhouse condominium	51 units	Under construction. For completion and sale in early 1973.
31. Single Family Houses, Calgary	Detached houses	24 units	In various stages of construction.
32. Single Family Houses, Delta & Surrey	Detached houses	50 units	In various stages of construction.
33. Single Family Houses, Edmonton	Detached houses	29 units	In various stages of construction.
34. 11th & Burrard, Vancouver	Low rise condominium	32 units	Under construction for completion and sale in mid-1973.
35. Greentree Village, Vancouver — Phase I	Townhouse condominiums	105 units	Construction on first phase of this project starting early in 1973.
36. East 2nd Street, North Vancouver	Low rise condominiums	29 units	Construction starting in early 1973.
37. West 4th Street, North Vancouver	Low rise condominiums	48 units	Construction starting in early 1973.
38. Esquimalt Avenue, West Vancouver	High rise condominiums	39 units	Under construction for completion in mid-1973.
39. Brookside, Port Moody	Townhouse condominium	46 units	Under construction. For completion and sale in 1973.
COMMERCIAL:			
40. McLeod Trail, Calgary	Commercial	100,000 square feet	First phase of 50,000 square feet under construction for single tenant. For completion in early 1973.
41. Dominion Centre, Edmonton	Industrial	200,000 square feet	First phase of 107,000 square feet under construction. For completion and rental in early 1973.
42. Vancouver Industrial Park	Light industrial/commercial	120,000 square feet	50% interest in development under construction. For completion and rental in early 1973.
43. No. 3 Road, Richmond	Commercial	66,000 square feet	Scheduled for completion in 1973.

Income Properties Under Construction

<i>Project</i>	<i>Type</i>	<i>Size</i>	<i>Comment</i>
44. 4th & 5th Streets, Calgary	Office building	170,000 square feet net	Under construction. For completion in mid 1973.
45. Aquitaine Parkade, Calgary	Parking structure	400 spaces	Construction to commence in early 1973. For completion in late 1973.
46. B.C.F.P. Building, Vancouver	Office building	230,000 square feet	Under construction. For completion in late 1973.
47. Woodcroft, North Vancouver	High rise apartment building	504 apartments	One third interest. Under construction. For completion in late 1973.
48. 1655 West Broadway, Vancouver	Office building	50,000 square feet	One half interest. Under construction. For completion in mid 1973.

Income Properties

<i>Project</i>	<i>Type</i>	<i>Size</i>	<i>Comment</i>
49. Club Montecito, Burnaby	High rise apartment	252 units	Apartments operated on four year net lease. Completed in 1971.
50. Villa Montecito, Burnaby	Garden apartments townhouses	153 units	One half interest. Completed in 1970.
51. The Hetherington Estate, Calgary	Garden apartments townhouses	46 units	Completed in 1970.
52. Oakridge, Calgary	Townhouses	84 units	Completed in 1969.

Financial Statements

AUDITORS' REPORT

To the Shareholders,
Dawson Developments Limited:

We have examined the consolidated balance sheet of DAWSON DEVELOPMENTS LIMITED (a British Columbia company) and subsidiaries as of October 31, 1972, and the related consolidated statements of income and source and application of cash funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the consolidated financial statements of the preceding year.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and source and application of cash funds present fairly the financial position of Dawson Developments Limited and subsidiaries as of October 31, 1972, and the results of their operations and source and application of cash funds for the year then ended, in conformity with generally accepted accounting principles. In our opinion, the accounting principles were applied on a basis consistent with that of the preceding year, except for the changes in accounting practices for general and administrative expenses, and interest expense as described in Note 2 which practices are also in accordance with generally accepted accounting principles.

Vancouver, B.C.
December 15, 1972.



Chartered Accountants.

Consolidated Balance Sheets

October 31, 1972 and 1971

Assets	1972	1971
CASH AND DEPOSIT RECEIPTS.....	\$ 288,939	\$ 51,510
RECEIVABLES (Note 4):		
Due on contracts and sales	4,949,395	6,589,606
Retentions	452,636	1,300,560
Affiliates	—	250,578
Mortgage advances	672,660	1,822,730
Agreements for sale (Note 5)	7,000,619	3,655,264
LAND HELD FOR DEVELOPMENT (Notes 1, 6 and 10)	11,746,961	7,042,423
REAL ESTATE HELD FOR RESALE AND UNDER CONSTRUCTION, at lower of cost or market (Note 2)	11,370,032	1,876,579
INVESTMENTS IN AND ADVANCES TO AFFILIATES AND JOINT VENTURES (Note 1)	1,870,172	391,428
INCOME PROPERTIES UNDER CONSTRUCTION (Note 2)	8,007,957	2,080,849
INCOME PROPERTIES, at cost, less accumulated depreciation of 1972 — \$192,145; 1971 — \$176,777 (Notes 1 and 8)	4,633,281	8,329,756
LEASEHOLD INTEREST IN PROPERTIES (Note 9)	1,450,000	1,970,000
EQUIPMENT, at cost, less accumulated depreciation of 1972 — \$275,644; 1971 — \$243,920	365,135	262,572
DEFERRED CHARGES, less amortization of 1972 — \$55,200; 1971 — \$33,096	243,551	228,395
Approved on Behalf of the Board: GRAHAM R. DAWSON, <i>Director</i> JOHN W. POOLE, <i>Director</i>		
	<u>\$53,051,338</u>	<u>\$35,852,250</u>

The accompanying notes are an integral part of these financial statements.

Liabilities	1972	1971
BANK LOANS (Note 4)	\$ 2,972,168	\$ 3,718,900
TRADE PAYABLES	6,872,478	6,753,638
MORTGAGES AND AGREEMENTS FOR SALE ON LAND (Note 10)	10,163,421	4,813,711
EXCESS OF BILLINGS ON INCOMPLETE CONTRACTS OVER COSTS OF \$1,635,456	—	18,279
MORTGAGE ADVANCES ON REAL ESTATE HELD FOR RESALE AND UNDER CONSTRUCTION	8,149,044	617,827
MORTGAGE ADVANCES ON INCOME PROPERTIES UNDER CONSTRUCTION	6,223,926	750,964
MORTGAGES PAYABLE ON INCOME PROPERTIES (Note 8)	3,123,657	6,584,938
LONG TERM LEASE OBLIGATIONS (Note 9)	1,450,000	1,970,000
DEFERRED INCOME TAXES	3,351,393	2,387,142
8.5% CONVERTIBLE SINKING FUND DEBENTURES Series A (Note 11)	4,200,000	4,200,000
CONTINGENT LIABILITIES AND COMMITMENTS (Note 13)		
SHAREHOLDERS' EQUITY:		
Capital (Notes 11, 12 and 16) —		
Shares without par value,		
Authorized, 3,000,000 shares		
Outstanding, 1,204,360 shares (Note 7)	<u>2,675,804</u>	<u>1,151,004</u>
Retained Earnings (Note 11) —		
Balance, beginning of year	2,885,847	2,029,454
Net income	<u>983,600</u>	<u>856,393</u>
Balance, end of year	<u>3,869,447</u>	<u>2,885,847</u>
	<u>6,545,251</u>	<u>4,036,851</u>
	<u>\$53,051,338</u>	<u>\$35,852,250</u>

Consolidated Statements of Income

For the Years Ended October 31, 1972 and 1971

	1972	1971
REVENUE (Notes 1 and 3)	\$29,911,876	\$26,116,242
COST OF SALES (Notes 1 and 3)	<u>26,543,501</u>	<u>22,739,245</u>
Gross Income	<u>3,368,375</u>	<u>3,376,997</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE (Notes 1 and 2)	906,830	954,885
DEPRECIATION AND AMORTIZATION (Note 1)	219,838	242,938
INTEREST EXPENSE (Note 2)	<u>711,399</u>	<u>875,571</u>
	<u>1,838,067</u>	<u>2,073,394</u>
	1,530,308	1,303,603
OTHER INCOME	<u>303,292</u>	<u>293,700</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	1,833,600	1,597,303
PROVISION FOR INCOME TAXES	<u>850,000</u>	<u>740,910</u>
Net Income (Notes 1 and 2)	<u>\$ 983,600</u>	<u>\$ 856,393</u>
Earnings Per Share (Note 15)		

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Source and Application of Cash Funds

For the Years Ended October 31, 1972 and 1971

Source of Cash Funds:	1972	1971
Operations—		
Net Income	\$ 983,600	\$ 856,393
Non-cash charges deducted in arriving at net income—		
Depreciation	197,734	224,482
Deferred charges written off	22,104	18,456
Deferred income taxes	850,000	740,910
Less—earnings of affiliates included in income above	(5,000)	(21,586)
Cash Funds Provided from Operations	2,048,438	1,818,655
Increase in mortgages and agreements for sale payable	14,892,608	1,993,369
Proceeds of share issue	1,524,800	—
Decrease in receivables	525,149	—
Increase in trade payables	118,840	2,841,217
Increase in cash and bank borrowings	—	3,229,054
Refund of income taxes	114,251	—
	<u>\$19,224,086</u>	<u>\$ 9,882,295</u>
Application of Cash Funds:		
Net additions to income properties	\$ 2,316,693	\$ 1,468,082
Net additions to equipment and deferred charges	251,497	128,921
Investments in affiliates and joint ventures	1,473,744	179,591
Increase in land	4,704,538	1,324,002
Increase in real estate	9,493,453	242,223
Increase in receivables	—	6,539,476
Decrease in bank borrowings	984,161	—
	<u>\$19,224,086</u>	<u>\$ 9,882,295</u>
Cash Flow Per Share (Note 15)		

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

October 31, 1972

1. ACCOUNTING POLICIES:

(a) The Company uses the completed contract method of recording revenue and costs on fixed price contracts. Under this method, revenue and costs are deferred until the project is 85% complete and costs to complete can be reasonably ascertained. Claims by or against owners, relating to adjustments arising out of contracts completed in prior years are generally recorded in the year such claims or adjustments are resolved.

(b) The Company defers pre-operating costs (including interest) on income properties until 70% occupancy is attained or until six months from the date of construction completion of the property, whichever is earlier. These pre-operating costs are capitalized and amortized in accordance with the depreciation policy. Pre-operating costs capitalized in the current year amount to \$12,185 (1971—\$21,747).

(c) The Company capitalizes interest, property taxes, general and administrative expenses and related development costs on land held for development and on income properties under construction.

(d) The Company allocates interest to construction projects as explained in Note 2 below.

(e) The Company uses the sinking fund method of depreciation on income properties based on 3% over 40 years.

(f) The consolidated financial statements include the assets and liabilities of the wholly owned subsidiaries, Vista Gardens Developments Ltd., D.D.L. Imports Ltd., Polar Construction Co. Limited, P & D Construction Ltd., D.D.L. Management Ltd., Greenwood Shopping Centre Ltd., Dawson Woodcroft Ltd., Panorama Place Ltd., and D.D.L. Financial Corporation Ltd.

(g) The Company owns 50% interests in the Thurlow-Alberni Joint Venture, the 1300 Block Alberni Joint Venture, the 1655 West Broadway Joint Venture, Vancouver Industrial Park Joint Venture, and a 33⅓% interest in the Woodcroft Lands Joint Venture.

The Company owns 50% of Hi-View Estates Ltd., Dawnex Properties Ltd. and College Park Development (1970) Ltd.

These investments are accounted for by the equity method.

2. CHANGES IN ACCOUNTING POLICIES:

(a) Effective November 1, 1971 the Company adopted a policy of allocating general and administrative expenses to land held for development and to income properties under construction.

General and administrative expenses allocated for the year amounted to \$189,200, of which \$81,085 was allocated to land held for development and \$108,115 to income properties under construction.

Had the prior year's policy remained unchanged, net income for the current year would have decreased by \$101,222.

(b) In prior years, interest on mortgage advances was allocated to construction projects. Effective November 1, 1971, the Company adopted the policy of also allocating interest to construction projects on that portion of construction costs in excess of mortgage advances which were financed by interest bearing funds, and this interest allocated to projects in progress amounted to \$119,152 for the current year.

Had the prior year's policy remained unchanged, net income for the current year would have decreased by \$63,746.

3. REVENUE AND COST OF SALES (IN \$000):

The details of revenue and cost of sales are as follows:

	1972			1971		
	Revenue	Cost of Sales	Gross Income	Revenue	Cost of Sales	Gross Income
Construction Contracts	\$ 7,589	\$ 7,742	\$ (153)	\$10,630	\$10,222	\$ 408
Land	6,215	4,311	1,904	2,150	1,613	537
Real Estate —						
Residential	11,425	11,019	406	8,574	7,329	1,245
Commercial	3,412	2,511	901	3,910	3,186	724
Income Property Rental (excluding interest and depreciation)	1,271	961	310	852	389	463
	<u>\$29,912</u>	<u>\$26,544</u>	<u>\$3,368</u>	<u>\$26,116</u>	<u>\$22,739</u>	<u>\$3,377</u>

4. BANK LOANS:

The Company's bank loans are secured by general assignment of receivables, assignments of specific agreements for sale receivable, and by a debenture which gives a floating charge on the assets of the Company and a fixed charge on certain Company properties.

5. AGREEMENTS FOR SALE RECEIVABLE:

The agreements for sale receivable yield interest at a weighted average of 8.08%. Principal payments due on these agreements are as follows:

Year Ending	
October 31, 1973	\$ 4,167,120
October 31, 1974	1,852,068
October 31, 1975	376,991
October 31, 1976	164,635
October 31, 1977	162,926
October 31, 1978	30,263
October 31, 1979	181,281
October 31, 1980 and subsequent	65,335
	<u>\$ 7,000,619</u>

6. LAND HELD FOR DEVELOPMENT:

Land held for development is stated at the lower of cost or market and includes the following costs:

	1972	1971
Land, at cost	\$10,038,059	\$ 5,245,122
Development costs	700,870	701,208
Interest	417,195	552,065
Taxes, professional fees and options	509,752	544,028
General and administrative expenses	81,085	—
	<u>\$11,746,961</u>	<u>\$ 7,042,423</u>

7. SHARE CAPITAL:

During the current year the Company issued 200,000 shares for cash in addition to those issued under stock options exercised.

8. MORTGAGES PAYABLE ON INCOME PROPERTIES:

These bear interest at a weighted average rate of 9.04% per annum, payable as to principal approximately as follows:

1973	\$ 28,501
1974	30,663
1975	33,493
1976	36,587
1977	39,973
1978	43,681
1979	47,743
1980	52,171
1981	57,065
1982 and subsequent	2,753,780
	<u>\$ 3,123,657</u>

9. LEASEHOLD INTEREST AND OBLIGATIONS:

The Company has entered into lease agreements for terms up to 66 years. The annual rentals amount to \$430,758 until 1976 when the first of these leases is adjusted in accordance with the terms contained in the lease. The actuarially computed present value of the rentals required to be paid under the leases has been capitalized as "Leasehold Interest in Properties" and the corresponding liability has been set up as "Long Term Lease Obligations".

10. MORTGAGES AND AGREEMENTS FOR SALE PAYABLE ON LAND:

The mortgages and agreements for sale payable bear interest at a weighted average rate of 8.34%. Principal payments are due on these mortgages and agreements as follows:

Year Ending	
October 31, 1973	\$ 2,633,405
October 31, 1974	2,734,195
October 31, 1975	2,249,510
October 31, 1976	1,301,500
October 31, 1977	392,890
October 31, 1978	375,000
October 31, 1979	226,921
October 31, 1980	95,000
October 31, 1981	155,000
	<u>\$10,163,421</u>

11. 8.5% CONVERTIBLE SINKING FUND DEBENTURES, SERIES A:

The Series A Debentures which mature March 15, 1985 are secured by a floating charge on the assets of the Company. Under the terms of the Trust Indenture, the Company may declare dividends if the effect of paying such dividends does not reduce the Company's retained earnings below \$1,320,503.

Commencing March 15, 1976 an amount sufficient to retire \$420,000 of debenture principal must be paid annually to a sinking fund. The debentures may be redeemed for other than sinking fund purposes under certain conditions at a maximum premium of 104.8% of the principal amount.

The debentures may be converted into common shares on the basis of 120 fully paid shares of the Company for each \$1,000 of debenture principal up to and including March 15, 1980.

12. STOCK OPTIONS:

The Company has a stock option plan under which options have been granted to certain directors, officers and employees of the Company at an option price of \$5.00, \$5.75 and \$7.00 per share as follows:

Date of Options	Options Granted to Directors and Officers	Options Granted to Other Employees
January 1, 1969 expiring December 31, 1974 at \$5.00 per share.....	7,000	200
May 27, 1970 expiring January 25, 1975 at \$5.00 per share.....	16,660	16,660
January 25, 1971 expiring January 25, 1976 at \$7.00 per share.....	5,500	5,600
November 3, 1972 expiring November 3, 1977 at \$5.75 per share.....	1,000	8,000
Total shares under option.....	<u>30,160</u>	<u>30,460</u>

The options granted are for a 5 year period but can be exercised not more than 20% on a cumulative basis in each year.

During the current year options to purchase 4,160 shares were exercised.

13. CONTINGENT LIABILITIES AND COMMITMENTS:

The Company is contingently liable for the following:

(a) Guarantee of mortgages of joint ventures. The outstanding balances on these mortgages are \$3,464,229.

(b) Usual liabilities of contractors for the completion of contracts.

(c) The Company has agreed to re-acquire all the issued shares and to repay shareholders' loans of a real estate development company for a maximum price of \$282,221, and expenses incurred by the Company in the clearing of titles to land held by the said real estate development company, provided such titles can, on or before October 31, 1973, be cleared. Expenses incurred by the said real estate development company to October 31, 1972 are \$312,138.

(d) Guarantees of minimum future cash flows in respect of interests in income properties sold. In the opinion of management, these guarantees will not require the Company to make material future payments.

14. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS:

The aggregate remuneration paid by the Company and its Subsidiaries directly or indirectly to Directors and Senior Officers of the Company for the year ended October 31, 1972 amounted to \$249,379.

15. EARNINGS AND CASH FLOW PER SHARE:

	1972	1971
Earnings.....	\$0.90	\$0.86
Cash flow.....	1.87	1.82
Fully-diluted earnings.....	0.73	0.69

Earnings per share has been calculated on the basis of the weighted average number of shares outstanding during the year.

The fully-diluted earnings per share reflect income that would have been reported had the Convertible Sinking Fund Debentures been converted. Cash flow is comprised of net income plus items deducted in arriving at net income which do not involve the outlay of funds.

16. SUBSEQUENT EVENT:

On December 15, 1972, the Board of Directors authorized the Company to offer to sell 60,000 treasury shares of the Company to three senior officers at the last sale price of the Company's shares on the Toronto Stock Exchange on December 15, 1972. Funds for the purchase of these shares will be loaned to the participating employees by D. D. L. Employee Investments Ltd., a wholly owned subsidiary. The loans to the officers will be repayable in ten years and will be secured by the shares which will be assigned to the National Trust Company as Trustee.

Directors

Norman E. Cressey, P.Eng., *Vice-President*
Dawson Developments Limited, Vancouver

Graham R. Dawson, P.Eng., *President*
Dawson Construction Limited, Vancouver

Roderick M. Hungerford, *President*
Flex-Lox Industries Ltd., Vancouver

William B. Laurie, *Executive Vice-President*
Dawson Construction Limited, Vancouver

George B. McKeen, *Chairman of the Board*
Riv-Tow Straits Limited, Vancouver

John W. Poole, P.Eng., *President*
Dawson Developments Limited, Vancouver

Robert Thomson, *Retired*, formerly Executive Director
of Standard Life Assurance Company, Montreal

Officers

Norman E. Cressey, P.Eng., *Vice-President—Operations*

Graham R. Dawson, P.Eng., *Chairman of the Board*

William H. Levine, *Vice-President—*
Finance & Secretary

Russell A. Nunn, *Vice-President—Alberta Division*

John W. Poole, P.Eng., *President & Chief*
Executive Officer

Kamal G. Rizkalla, C.A., *Comptroller*

Subsidiaries and Affiliates

Vista Gardens Development Ltd.	100%
D.D.L. Imports Ltd.	100%
P. & D. Construction Ltd.	100%
Polar Construction Co. Limited	100%
D.D.L. Management Ltd.	100%
Greenwood Shopping Centre Ltd.	100%
Dawnex Properties Ltd.	50%
College Park Developments (1970) Ltd.	50%
Hi-View Estates Ltd.	50%
Panorama Place Ltd.	100%
Dawson-Woodcroft Ltd.	100%
D.D.L. Financial Corporation Ltd.	100%

Management

C. Stanley Allington, *Manager—Land Development*
(British Columbia)

Edwin C. Alm, *Assistant Vice-President*

Demetrios Babalos, *Development Officer*

Robert B. Biely, *Manager—Income Properties*

Lillias Bjornson, *Mortgage Officer*

Ivor Cohen, *Architect, Manager—Design Department*

Michael Craigen, *Project Manager*

Gordon W. Gauley, *Manager—Contract Sales*

Ernie Hnatiuk, *Project Manager*

John E. James, *Land Development Officer*

Raymond Langrish, *Chief Accountant*

Ian T. Munro, *Project Manager*

Russell A. Nunn, *Vice-President—Alberta Division*

Donald J. Owens, *Director of Public Relations*

Gerald R. Reyner, *Manager—Edmonton Division*

Rod Schroeder, *Development Officer*

Bernard Springman, *Manager—Residential Sales*

Duncan Stewart, *Project Manager*

William B. Townsend, *Project Manager*

Lynn Turner, *Office Manager*

H. James White, *Chief Architect*

David K. Yolles, *General Manager—Eastern Division*

Joint Ventures

Thurlow & Alberni

Woodcroft Lands

1100 Alberni

Vancouver Industrial Park

1655 West Broadway



Dawson Developments Limited

Head Office:

745 Clark Drive, Vancouver 6, British Columbia

Calgary Office:

1670 - 540 5th Avenue S.W., Calgary, Alberta

Edmonton Office:

16405 - 111th Avenue, Edmonton, Alberta

Toronto Office:

1105 - 65 Queen Street West, Toronto, Ontario

The auditors of the Company are
Messrs. Arthur Andersen & Co.,
Chartered Accountants,
1055 West Hastings Street, Vancouver

The transfer agent and registrar for the shares and debentures of the Company is National Trust Company, Limited at its principal offices located in Montreal, Toronto, Winnipeg, Calgary and Vancouver and through its agent, Canada Permanent Trust Company in Regina.

Stock listed:

Vancouver Stock Exchange
Toronto Stock Exchange
Montreal Stock Exchange



AR44

dawson developments limited

Western Canada is blessed with one of the most magnificent landscapes in the world. Millions of acres are overlaid with towering mountains, broad rivers, fertile valleys. Countless islands press close to a thousand miles of ocean coast. British Columbia alone has a greater land area than the states of Washington, Oregon and California combined.

Ecologists tell us that this land belongs to the creatures that inhabit its vast expanse: to the fish that swim in its streams; to the animals that roam its mountains and valleys; to the birds that fly over it all, pausing only to feed on its abundance.

Man is a creature of Nature too, but centuries of civilization have diminished his instinctive ability to cope in this raw, elemental wilderness. He must create a more favourable environment for himself and take it with him if he is to survive.

Less than a hundred years ago eight out of every ten Canadians lived on farms. Today, 70% live in cities and this figure will reach 80% by 1999. No other nation in history has lived through such a radical change in life style in so short a time. Even more startling is the fact that this huge majority will occupy just 1% of the land.

Urban growth, increasing population and an ever widening search for natural resources have created extraordinary demands on the building industry in Canada. Experts say that an urgent need exists for half million new homes; that 20% of all existing housing is sub-standard.

Builder-developers must create the modern urban environment demanded by today's families and at the same time preserve as much of the existing ecological balance as possible. It is a mighty challenge but the housing industry has no choice other than to accept it.





View of Howe Sound from Lions Bay Subdivision, Lions Bay, British Columbia

The Company

Dawson Developments Limited is a diversified Real Estate Development Company operating in one of the fastest growing regions in North America.

Founded by Graham R. Dawson and John W. Poole at Vancouver, British Columbia in 1964, the Company's first efforts were directed toward meeting the demand for permanent, quality housing for employees of the forest, mining and petroleum industries operating in remote areas of British Columbia and Alberta. Today this market continues to demand a significant portion of the Company's building production.

Steps toward diversification were taken in 1968 when a permanent "land bank" program was established. Also in that year, the Company entered the urban real estate field with a highly successful condominium project, *Hi-View Estates* in Port Moody, B.C.

Early in 1969 Dawson Developments Limited offered 250,000 shares of its stock to the public. This underwriting by Richardson Securities was fully subscribed and today Company shares are listed on the Vancouver, Toronto and Montreal Stock Exchanges.

The year 1969 also witnessed the opening of the Company's Income Properties portfolio with the construction of two townhouse/apartment projects: *Villa Montecito* in Burnaby, B.C., and *The Hetherington Estate* in Calgary, Alberta. That year too, lots in the first phase of a sub-division at Lions

Bay on British Columbia's Howe Sound were offered for sale.

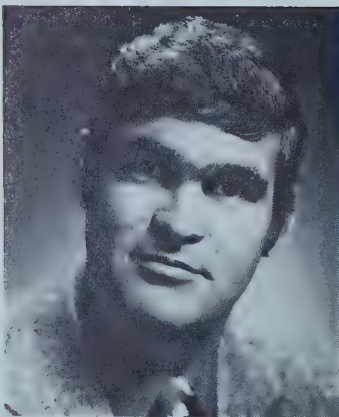
The Company's operations are organized around four divisions and four departments.

The Construction Division is under the direction of the Vice-President, Operations. It is concerned with all Company construction whether acting as its own general contractor (as is the case with Resource Industry housing) or overseeing the operations of an outside firm employed in that capacity on a bid-award basis or through negotiated contract.

It is the policy of this division to use independent sub-contractors rather than to carry large numbers of tradesmen on payroll. This method not only permits the Company to keep its permanent staff requirement minimal but more importantly, enables it to shift emphasis readily to meet changing market conditions.

Budgets, schedules and preparation of bids are the responsibility of the Project Manager. Working from head office he must maintain communications between his job-site superintendent and the accounting, purchasing, expediting and design services of the Company. In addition, he is required to make certain that local building codes are followed and that all permits and licenses are in proper order.

The day-to-day job-site operation is controlled by



JOHN W. POOLE, P.Eng.
President and Chief Executive Officer

Mr. Poole began his career in the construction industry in Edmonton in 1956 following his graduation from the University of Saskatchewan with a B.Sc. degree in Civil Engineering. His knowledge of land assembly and development, the design, construction and merchandising of homes, condominiums and apartments is the result of fourteen years experience in these fields in British Columbia and Alberta.



NORMAN E. CRESSEY, P.Eng.
Vice-President, Operations

Mr. Cressey graduated at the University of Saskatchewan with a degree in Civil Engineering in 1954. He joined Dawson Developments Limited in 1965 following more than ten years professional and management experience in the construction industry in Alberta and Saskatchewan. A member of the Engineering Institute of Canada, Mr. Cressey is a Registered Professional Engineer in British Columbia, Alberta and the Yukon Territory.

the Project Superintendent. It is his function to insure that schedules are kept, that sub-trades follow one another in proper sequence and that phasing is carried out according to plan.

The Construction Division is responsible for negotiating or bidding all construction contracts with Resource Industries, Government Agencies and other interests.

The Land Development Division is responsible for the purchase, planning, zoning, sub-dividing and servicing of land for public or private sale, or for use by other divisions of the Company.

The Income Properties Division is responsible for the management of all rental units in the Company portfolio.

In concert with the Land, Construction and Commercial Divisions, the Income Properties Division produces pro-forma operating cost projections for new housing developments. In addition, this division frequently performs the management function for Company-built condominium projects within the terms of the British Columbia Strata Titles Act.

In some instances when an income project is sold, this division will manage the project for its new owner and will be paid a fee for its services.

The Commercial Division undertakes to seek out and research opportunities in the multiple land-use field. It conducts feasibility studies, analyzes

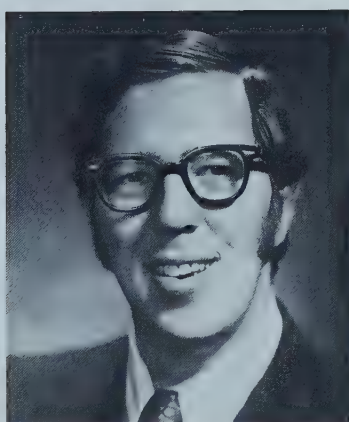
markets and assesses profitability in relation to commercial development both singularly and in conjunction with housing or other requirements in given areas.

The Sales Department handles all consumer sales for the Company. Under the direction of the Sales Manager the staff of this department deals directly with the public in all cases relating to the sale of single family dwellings, condominiums and sub-division lots. Where conditions warrant, it may retain outside agencies for the purpose of merchandising Company products.

The Advertising and Public Relations Department develops and implements all advertising programs relating to the sale and rental of Dawson projects. Other areas of responsibility for this Department are shareholder relations, preparation of corporate press releases, the annual and interim reports. As required for particular projects, it may employ independent advertising agencies and consultants.

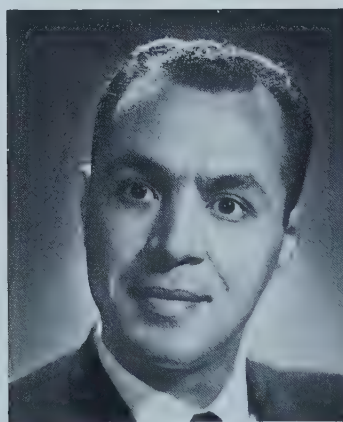
The Accounting Department under the direction of the Comptroller is truly the information center of the Company. Feeding into it are budgets for each job, invoices for all materials consumed and purchased, statements from sub-trades and sub-contractors, purchase orders for materials to be acquired and all legal contracts. This information is assimilated and processed.

The department output includes payments to suppliers and sub-trades, up-to-date cost reports



WILLIAM H. LEVINE, M.B.A.
Vice-President, Finance and Secretary

A graduate of the University of British Columbia, where he majored in Economics, Mr. Levine received his M.B.A. at Harvard Graduate School of Business Administration. Prior to joining the Company he was active in the financial industry in Vancouver and Toronto.



KAMAL G. RIZKALLA, B.Comm., C.A.
Comptroller

Mr. Rizkalla began his management career in Canada in 1954, and brings to Dawson Developments Limited an impressive record of accomplishment in accounting administration. He was admitted to membership in the Canadian Institute of Chartered Accountants in 1968 and holds a Bachelor of Commerce degree.

with comparison of actual cost to budgeted cost for each category of each job. Accounting also supplies current budget statements by account number and category to division and department heads quarterly or more frequently if requested.

The Design Department is capable of handling

the most complex construction project from conception to turnover.

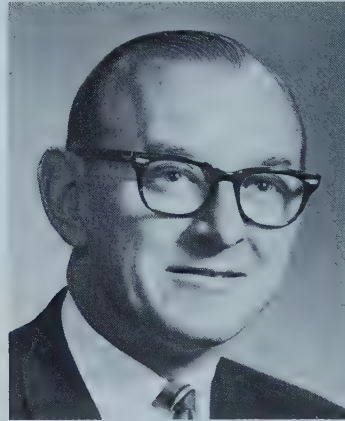
It is structured around the skills of three highly qualified architects, whose cumulative experience totals more than thirty years. Other staff members are expert in such specialized fields as church



C. STANLEY ALLINGTON

Manager, Land Development Division

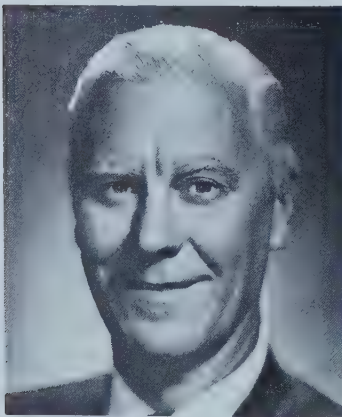
Mr. Allington's extensive experience in land development and large scale house building began in Great Britain, continued in Eastern Canada following World War II and contributed to his success with his own construction firm in British Columbia. Mr. Allington joined Dawson Developments Limited in 1967.



RUSSELL A. NUNN

General Manager, Western Operations

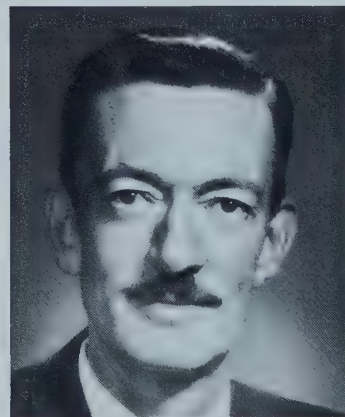
A graduate of the University of Western Ontario with a degree in Economics, Mr. Nunn entered the construction industry in Alberta in 1955. His broad experience in home building and land assembly is the result of a successful career in these fields. Mr. Nunn was appointed Chief Operating Officer for Dawson Developments Limited in the Province of Alberta in 1969.



GORDON W. GAULEY

Manager, Income Properties Division

Born and educated in Vancouver, Mr. Gauley returned to his native city to join Dawson's management team in 1970. His knowledge of property management is the result of many years experience in this field in Los Angeles and Santa Barbara, California.



DONALD J. OWENS

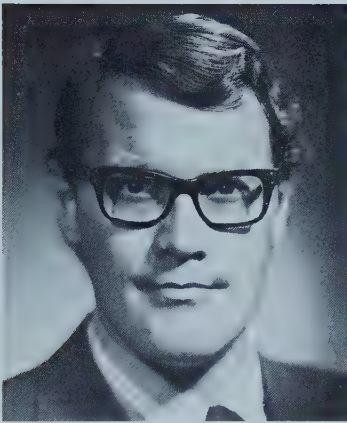
Manager, Advertising & Public Relations

Although a native of British Columbia, Mr. Owens spent a number of years in the United States. His experience in the advertising industry includes several years as director of co-operative advertising for a Pacific Coast television distributor, and as account executive in a major agency in Los Angeles. Mr. Owens joined the Company in 1968.

buildings, hotels and restaurants, shopping centers, government offices and service buildings, town planning and redevelopment.

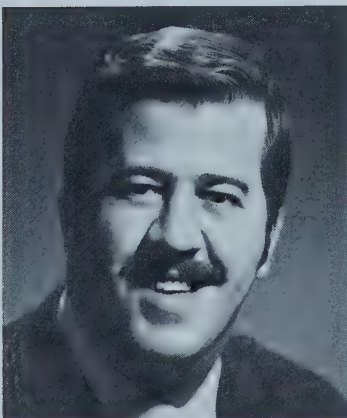
Because of this broad base of experience, the Company's Design section enjoys a flexibility seldom found outside the large, architectural "supermarkets".

No story of Dawson Developments Limited would be complete without recognition being given to those staff members whose loyalty and dedication to the Company and its goals are the measure of its success. Their contributions are gratefully acknowledged.



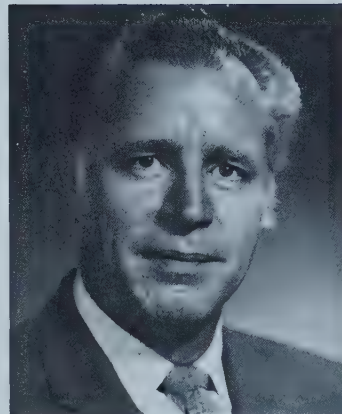
GERALD K. SCHLOTZHAUER, M.A.
Manager, Commercial Division

A native of Ontario, Mr. Schlotzhauer attended the University of Waterloo and the University of Wisconsin at Milwaukee where he received his M.A. in Economic Geography. His professional background includes broad experience in market surveys and multiple land-use studies in the United States and Canada.



BERNARD SPRINGMAN
Manager, Real Estate Sales

Mr. Springman was born in Saskatchewan and moved to Calgary in 1950. Following a successful sales management career in retail marketing, he entered the real estate field in Vancouver in 1965. Since he joined the Company in 1967, Mr. Springman's department has recorded more than 14 million dollars in real estate sales.



H. JAMES WHITE, B.Arch., M.R.A.I.C.
Manager, Design Department

Born in New Brunswick, Mr. White attended Mount Allison University at Sackville. He received his B.Arch. degree from the University of Manitoba and registered with the Architectural Institute of British Columbia in 1950. Prior to joining the Company he enjoyed a successful private practice in Nanaimo, B.C.



Contract Construction

The economy of Canada's great Northwest is irrevocably tied to the natural resources of British Columbia, Alberta, the Yukon and Northwest Territories. Bounded on the West by the Pacific Ocean and on the East by prairie wheat fields is a vast region stretching northward more than a thousand miles from the 49th parallel to the Arctic Circle. Into this virtually uncharted wilderness industries send their pioneers to build pulp mills and logging operations, to mine rich mineral deposits and to drill for oil and gas.

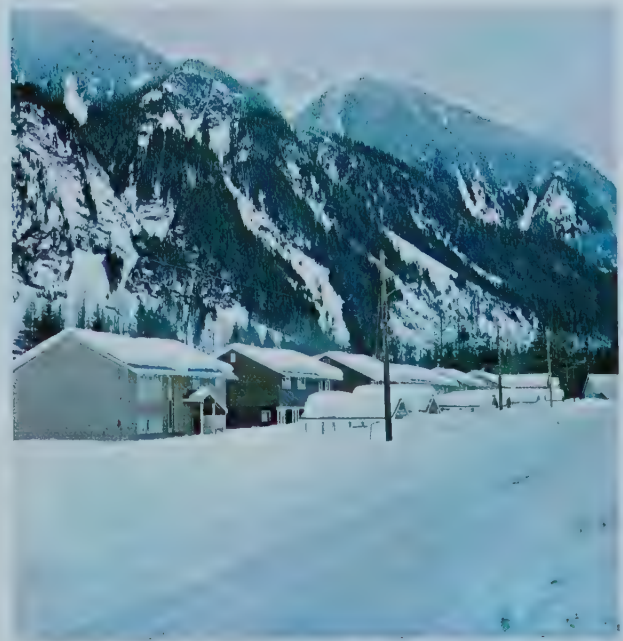
Today's loggers and miners, oil men and pulp workers — unlike their precursors — are no longer content to live under minimal survival conditions. The modern resource industry worker requires family accommodation and urban services if he is to be productive and willing to remain at his job.



Treble Mountain, British Columbia



Faro, Yukon Territory



Stewart, British Columbia



Mackenzie, British Columbia

The special kind of know-how needed to create resource industry communities is possessed by few builders. Problems such as short work seasons, extreme weather conditions, virtually inaccessible sites, are a way of life. Knowledge born of experience is the common attribute of the Construction Division's project managers and superintendents and a key factor in the Company's successful performance in this difficult field.

In addition to building modern, attractive and comfortable homes, the Company provides a variety of services such as the design and installation of sewer, water, power and gas facilities and the construction of streets and roads in the development of resource industry communities.



Port Hardy, Vancouver Island, British Columbia



Cold Lake, Alberta



Mackenzie



F.P. 1, Burnaby, British Columbia

Where conditions warrant, the Construction Division may submit "design and build" proposals for public housing projects. Timing is important since competent field supervision and reliable sub-trades must be at hand. More critical is the availability of time and talent in the Design

Department for the preparation of drawings and plans needed for such proposals.

Federal-Provincial 1, the first "design and build" project in British Columbia was built by Dawson Developments Limited in 1969.



- | | | | | |
|------------------------|-------------------|-----------------|-------------------|------------------|
| 1. Fort St. James | 8. Mackenzie | 14. Port Alice | 20. Tlell | 26. Faro |
| 2. Penticton | 9. Port Hardy | 15. Gold River | 21. Prince Rupert | 27. Boivin Creek |
| 3. Abbotsfield | 10. Stewart | 16. Saanich | 22. Cold Lake | 28. Fort Nelson |
| 4. Leduc | 11. Mica Creek | 17. Whistler | 23. Grande Cache | 29. Sparwood |
| 5. Faircliff, Victoria | 12. Port Clements | 18. Babine Lake | 24. Rainbow Lake | 30. Port Hardy |
| 6. Fernie | 13. Kelsey Bay | 19. Fraser Lake | 25. Fox Creek | 31. High River |
| 7. Sparwood | | | | |

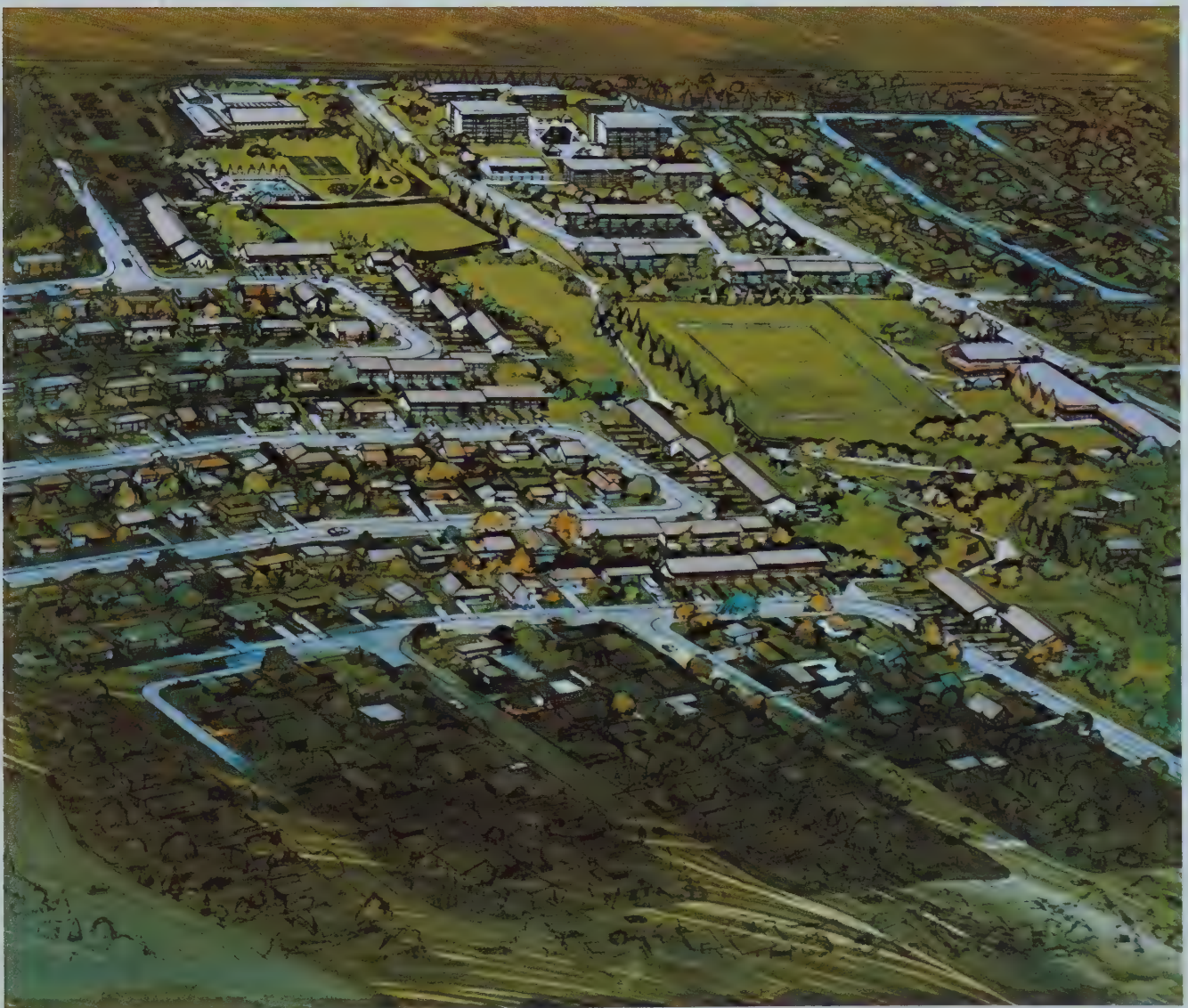
Land

The responsible land developer realizes that his own interests are best served by first recognizing, and then satisfying the needs of the community. In today's highly complex market the successful developer must have a host of professionals supporting him. He listens to his engineers, architects and planners. He reads reports from experts in fields as diverse as soil erosion and crowd psychology. He prepares himself for the inevitable avalanche of rhetoric from ecologists, environmental specialists and just plain nature lovers. If he possesses the qualities of caution, mature judgement and daring, and carefully evaluates his data, he can expect to be reasonably successful.

The Land Division, operating out of the Vancouver

and Calgary offices of the Company, employs a highly mobile staff of professionals capable of handling the majority of projects referred to it. Where necessary, it may retain engineers, surveyors or other consultants. It also maintains a close liaison with the three levels of Government to assess development attitudes, policy, and legislation in order to promote the most effective use of its land holdings.

In addition to its contributions in the areas of planning, sub-dividing and servicing, the Land Division is charged with maintaining a land bank of sufficient size and versatility to support the Company's activities. At any given time, the Company could be building or planning to build on approximately one half of this land.



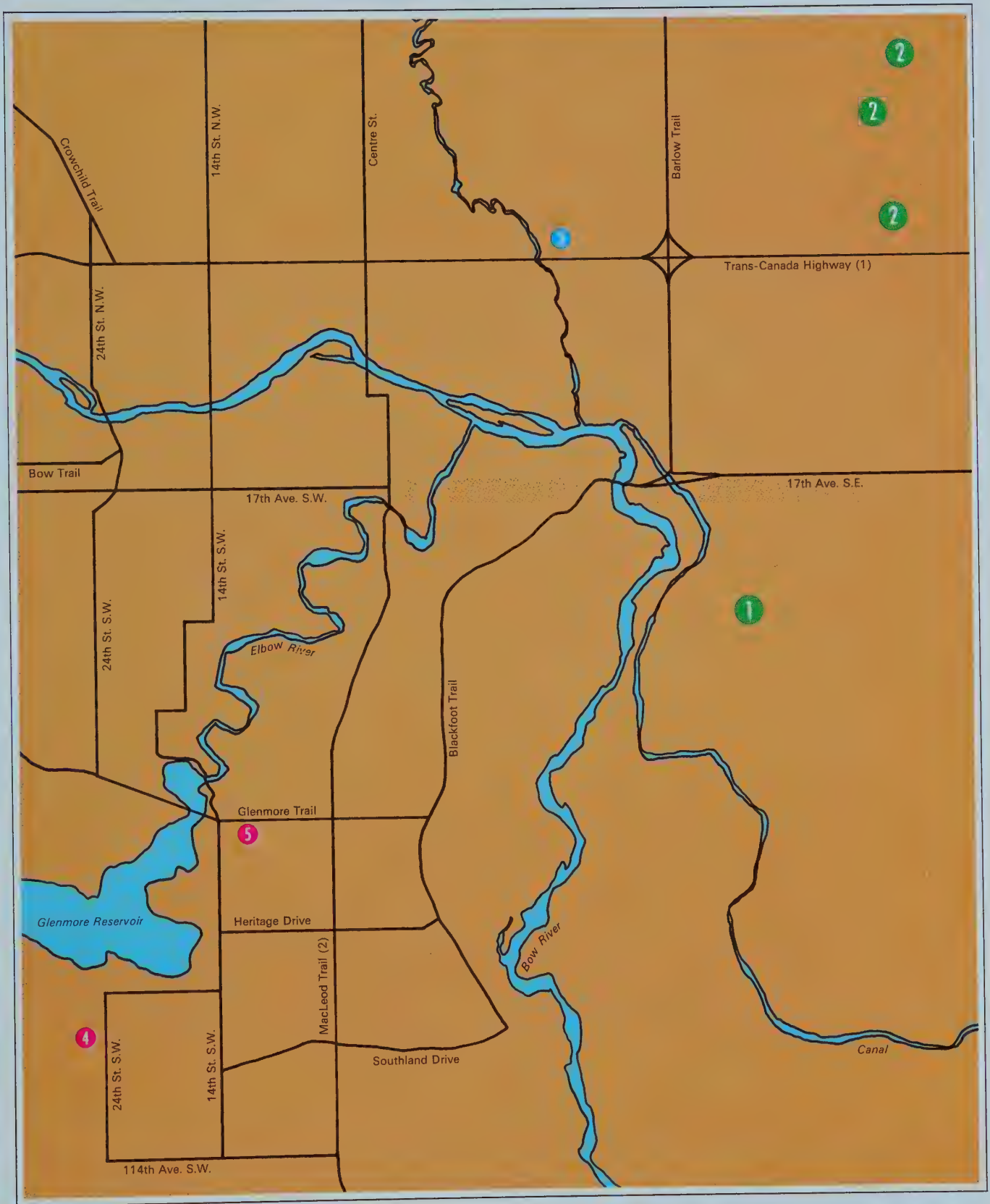
Development Concept, Delta, British Columbia

Vancouver and Vicinity



- | | | |
|--------------------------------|----------------------------------|-----------------------------------|
| 1. Lions Bay Subdivision | 9. Surdel Property, Surrey | 17. Simon Fraser Village, Burnaby |
| 2. Camelot, West Vancouver | 10. Steveston Property, Richmond | 18. Evergreens II, Port Moody |
| 3. Woodcroft, North Vancouver | 11. Benson Road Property, Delta | 19. The Meadows, Surrey |
| 4. Duthie, Burnaby | 12. Ferry Road Property, Delta | 20. Hi-View Estates, Port Moody |
| 5. Forest Lawn, Burnaby | 13. Coldicutt, White Rock | 21. 1090 West Pender Building |
| 6. Simon Fraser Hills, Burnaby | 14. Boundary Bay Road Property | 22. Villa Montecito, Burnaby |
| 7. College Park, Port Moody | 15. Champlain Heights | 23. Warehouse, Burnaby |
| 8. Scott Road Property, Surrey | 16. Villa Montecito, Burnaby | 24. 1070 West Pender Building |

Calgary and Vicinity



1. Dover Glen Subdivision
2. Saddle Ridge Subdivision
3. Vista Gardens
4. Oakridge Gardens
5. The Hetherington Estate

- LAND
- PROJECTS
- INCOME PROPERTY

Urban Real Estate

An unprecedented challenge exists in Canada today for private developers to create residential units to meet the requirements of a growing population. New designs must be conceived, new methods devised and new concepts researched to meet this demand.

The condominium approach was made possible in British Columbia by the enactment of the Strata Titles Act which permits individual ownership of a single housing unit within a total residential package where the land and amenities are held and maintained jointly by the owners. Dawson Developments Limited built the first condominium project in Canada at Port Alice, Vancouver Island, in 1965.

Other "firsts" followed: *Hi-View Estates* in Port Moody, B.C. (132 units) the first condominium in the Lower Mainland of B.C. and winner of the National Award for Residential Design — 1969. *The Meadows* in Surrey, (118 units) the first privately financed condominium in Canada. Both projects were sold out before construction was completed.

In today's market, condominiums provide the only means by which home ownership can be achieved by Canadian families of modest income. Dawson Developments Limited has led the industry in the production of homes for this large and previously ignored segment of the public.



Evergreens II, Port Moody, British Columbia



Evergreens II



Whistler, British Columbia



Hi-View Estates, Port Moody



Sparwood, British Columbia



Fernie, British Columbia

Commercial Projects



Warehouse, Burnaby, British Columbia

Nowhere is the quality of flexibility better illustrated than when it is applied to commercial development. Multi-million-dollar buildings are not created by accident. Market research exposes a particular need. Possible sites are located and evaluated. Design concepts are created and modified. Financing proposals are examined. When the decision to proceed is made all affected departments must adjust priorities, set deadlines, establish schedules and bring the project on-stream. The key is flexibility.



Office Building, Vancouver, British Columbia

Income Property

Each year more and more families establish permanent residence in Canada's urban and suburban areas. As cities grow to accommodate this influx of people, availability of land becomes critical and high density zoning must obtain.

The population shift from rural to metropolitan areas reveals an additional problem: mobility has become a life style for many people. Tenant-

occupied multiple dwelling units are the only reasonable solution to these problems and the need for them is increasing.

To meet this demand Dawson Developments Limited builds all types of rental accommodation from single men's quarters to townhouse and garden apartment complexes to luxury hi-rises.

When a new income project is proposed a



feasibility study is instituted by the Company's Income Properties Division. Drawing on information supplied by other divisions and departments this study will consider such important factors as market demand, cost of land, design criteria, availability of financing and construction costs. When all available data are assembled and evaluated, an operational pro-forma is prepared by the Income Properties Manager. This will include

not only a breakdown of operating expense but unit mix, rent structure and leasing costs including advertising and promotion. The decision to proceed with the project is based on conclusions drawn from this feasibility study.

This division may also be required to supply these services where they relate to projects the Company builds for clients or for sale to other interests.



Villa Montecito Townhouses, Burnaby, British Columbia



Villa Montecito Townhouses

Not many years ago, leisure facilities such as swimming pools, saunas, billiard rooms and resident lounges were hallmarks of privilege.

This is no longer true. Today, middle-income Canadians are demanding — and getting — the same amenities, and the developer who considers these families to be his legitimate market had better supply them if he hopes to be successful. For its more sophisticated properties (such as *Villa Montecito*) the Company's Income Property Division employs a full-time Activities Director to implement and co-ordinate leisure-time projects.



Villa Montecito Townhouses



Villa Montecito Hi-Rise Apartments



The Hetherington Estate, Calgary, Alberta

Leisure facilities for residents of *The Hetherington Estate* are in a separate building on the property. It houses an indoor swimming pool, whirlpool bath, fireplace lounge, billiard room, exercise room and saunas.



The Hetherington Estate Clubhouse





INDUSTRIAL CLIENTS

MacMillan Bloedel Limited
Endako Mines Limited
B.C. Hydro & Power Authority
B.C. Forest Products Limited
Granisle Copper Limited
Rayonier Canada (B.C.) Limited
Tahsis Company Limited
Hudson's Bay Oil & Gas Company Limited
Granduc Operating Company
Anvil Mining Corporation Limited
McIntyre Porcupine Mines Limited
Utah "Island Copper" Development
Department of National Defense
Columbia Cellulose Company Limited
Banff Oil Ltd.
Pacific Petroleum Ltd.
Whistler Mountain Enterprises Ltd.
Kaiser Resources Ltd.
Cominco Ltd.
British Columbia Telephone Company
Westcoast Transmission Company Limited



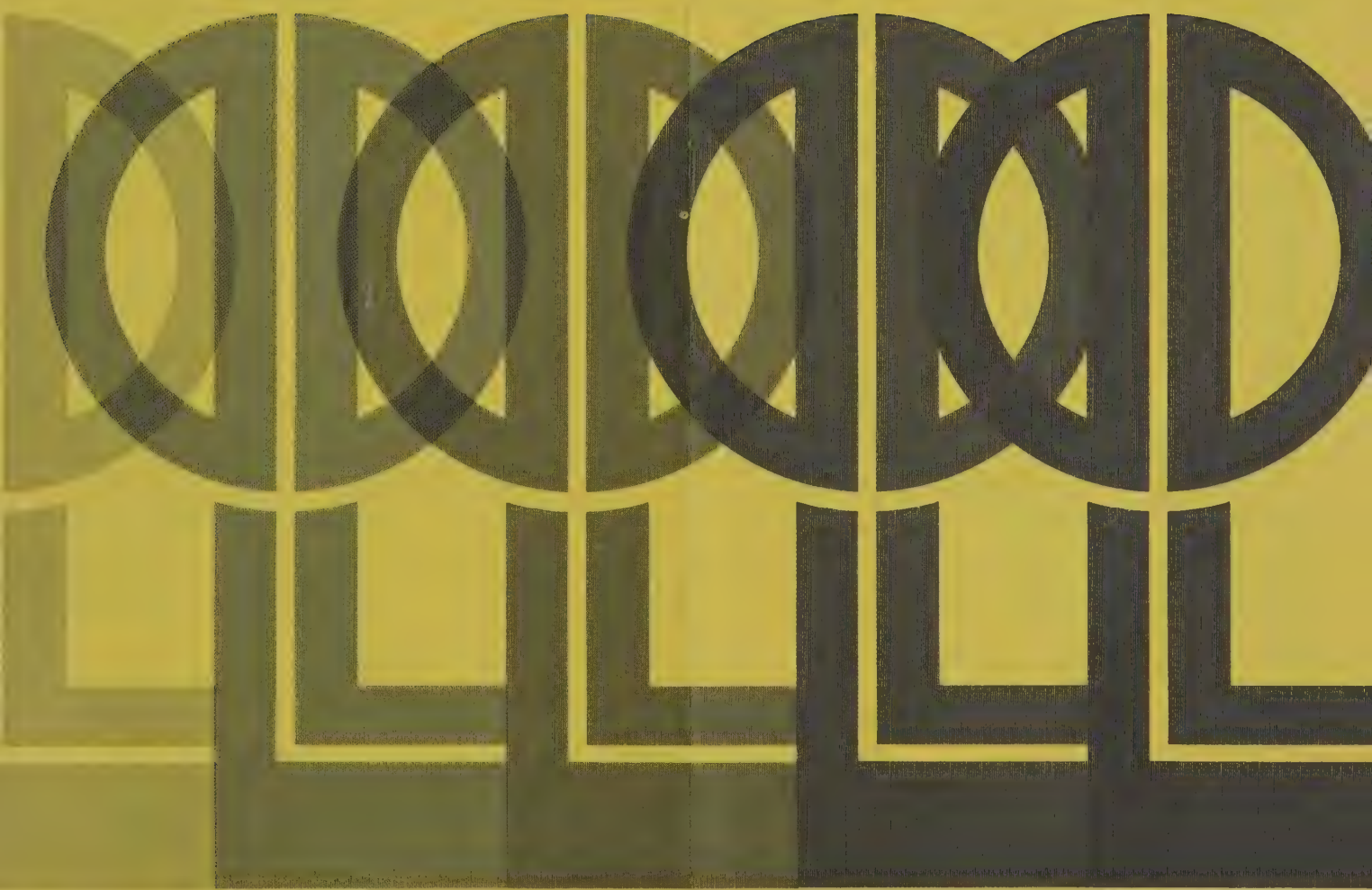
Head Office: 745 Clark Drive, Vancouver 6, British Columbia
Calgary Office: 415 - 36th Avenue South East, Calgary, Alberta

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INTERIM REPORT

For six months ending

April 30, 1972



Consolidated Balance Sheet as at April 30, 1972

(with comparative figures for 1971)

(prepared without audit)

Assets:	1972	1971
Cash and term deposits	\$ 23,166	\$ —
Accounts and notes receivable	3,600,078	1,669,643
Construction in progress	3,953,398	2,903,094
Inventory of completed homes	435,864	464,957
Land held for development	11,670,837	7,538,380
Agreements for sale receivable	3,496,811	3,867,689
Investments in and advances to affiliates	200,355	192,680
Income properties under construction, at cost, less accumulated depreciation	3,011,182	3,203,953
Income properties, at cost, less accumulated depreciation	6,058,887	8,036,208
Equipment, at cost, less accumulated depreciation	392,991	250,484
Deferred charges, less accumulated amortization	219,154	238,752
	<u>\$33,062,723</u>	<u>\$28,365,840</u>
Liabilities:		
Bank loan	\$ 4,160,656	\$ 1,586,454
Accounts payable	3,812,936	4,480,207
Mortgages and agreements for sale payable on land	9,861,326	3,916,476
8.5% debentures payable	4,200,000	4,200,000
Mortgages payable on income properties	4,123,635	8,886,033
Deferred income taxes	2,623,393	1,950,898
	<u>28,781,946</u>	<u>25,020,068</u>
Minority Interest	92,055	—
Shareholder's Equity:		
Capital:		
Common shares without par value —		
Authorized — 3,000,000 shares		
Issued — 1971 — 1,000,200 shares		
1972 — 1,003,080 shares	1,165,404	1,151,004
Retained Earnings:		
Balance November 1, 1970	2,885,847	2,029,454
Add — Income for the period	137,471	165,314
	<u>3,023,318</u>	<u>2,194,768</u>
	<u>4,188,722</u>	<u>3,345,772</u>
	<u>\$33,062,723</u>	<u>\$28,365,840</u>

Consolidated Statements of Income for the Six Months Ended April 30, 1972

(with comparative figures for 1971)

(prepared without audit)

	1972	1971
Operating revenue	\$11,283,543	\$ 7,628,663
Operating costs	10,212,350	6,732,525
Gross Profit	1,071,193	896,138
Administrative expense	421,083	287,290
Profit before undernoted items	650,110	608,848
Interest expense	303,839	150,959
Depreciation	86,800	117,175
Income taxes	122,000	175,400
	512,639	443,534
Net income for the period	\$ 137,471	\$ 165,314
Earnings per share	13.8¢	16.5¢

Consolidated Statements of Source and Application of Cash Funds for Six Months Ended April 30, 1972

(with comparative figures for 1971)

Source of Cash Funds:	1972	1971
Operations —		
Net income	\$ 137,471	\$ 165,314
Non cash charges—		
Depreciation and deferred charges	86,800	117,175
Deferred income taxes	122,000	175,400
Cash funds provided from operations	346,271	457,889
Notes and accounts receivable	6,363,396	2,291,820
Real estate held for resale	215,553	1,169,399
Agreements receivable	158,453	(1,169,834)
Investments and advances	191,073	321,115
Income properties	2,218,079	—
Bank borrowing	470,100	1,148,118
Agreements for sale on land	5,047,615	502,599
Proceeds of shares issued	14,400	—
Minority interest	92,055	—
Mortgage advances on income properties	—	3,739,195
	<u>\$15,116,995</u>	<u>\$ 8,460,301</u>
Application of Cash Funds:		
Construction in progress	\$ 2,746,515	\$ 2,695,356
Land held for and under development	4,628,414	1,819,959
Income properties and fixed assets	1,085,521	2,299,416
Accounts payable and accrued liabilities	3,444,278	1,645,570
Mortgages payable	3,212,267	—
	<u>\$15,116,995</u>	<u>\$ 8,460,301</u>

The President's Message

I am pleased to present this report on operations for the six month period ended April 30, 1972.

Fiscal 1972 promises to be a good year for your Company. Total revenue from all divisions for the current year should approach \$30 million compared with \$26 million for 1971. I am confident that this increase in revenue will produce a corresponding increase in earnings for 1972.

The first half of our fiscal year, falling as it does in the winter months, is the period when most of our Company's projects are started. The second half, (the prime building season), is the time during which most projects are completed. Coupled with this seasonal disparity is the fact that it has always been a matter of Company policy to delay the reporting of revenues and earnings from a project until it has been 85% completed. Given these factors it should be apparent that the figures recorded in an interim report such as this are far from being representative of the entire year.

The following are highlights for the first half of fiscal 1972 compared with the same period in 1971:

	1972	1971
Total Revenue	\$11,283,543	\$ 7,628,663
Net Income	137,471	165,314
Net Income		
per Share	13.8¢	16.5¢

The current construction lockout is delaying progress on three major projects in Vancouver, and, depending on the duration of this lockout, our results for the year end may be affected, but

not significantly. I am encouraged by recent developments however, and hope the industry will be back at work within a very few weeks.

All divisions of the Company are very active. The profit center making the strongest contribution to earnings this year will be land, followed closely by condominiums and real estate projects for resale. Income from construction contracts will make only a modest contribution, and rentals from income properties will make no contribution to this year's earnings.

Completed this year will be 250 single family homes. Approximately 100 of these will be in Edmonton where our first model home was opened in April. Of the remainder, 100 will be built in Greater Vancouver and 50 in Calgary. A minimum of 200 single family dwelling sales is projected by year end.

On May 16, 1972 your Company completed the public sale of 200,000 treasury shares which yielded \$1,504,000 in new capital. This issue, with 100,000 shares made available by two principal shareholders, increased the number of shares that are widely held from 350,000 to 650,000. This change in distribution should greatly improve the marketability of your holdings.

In spite of the still uncertain labour scene in British Columbia the officers and management of your Company have a decidedly optimistic view of 1972.

For the Board of Directors,
JOHN W. POOLE,
President and Chief Executive Officer

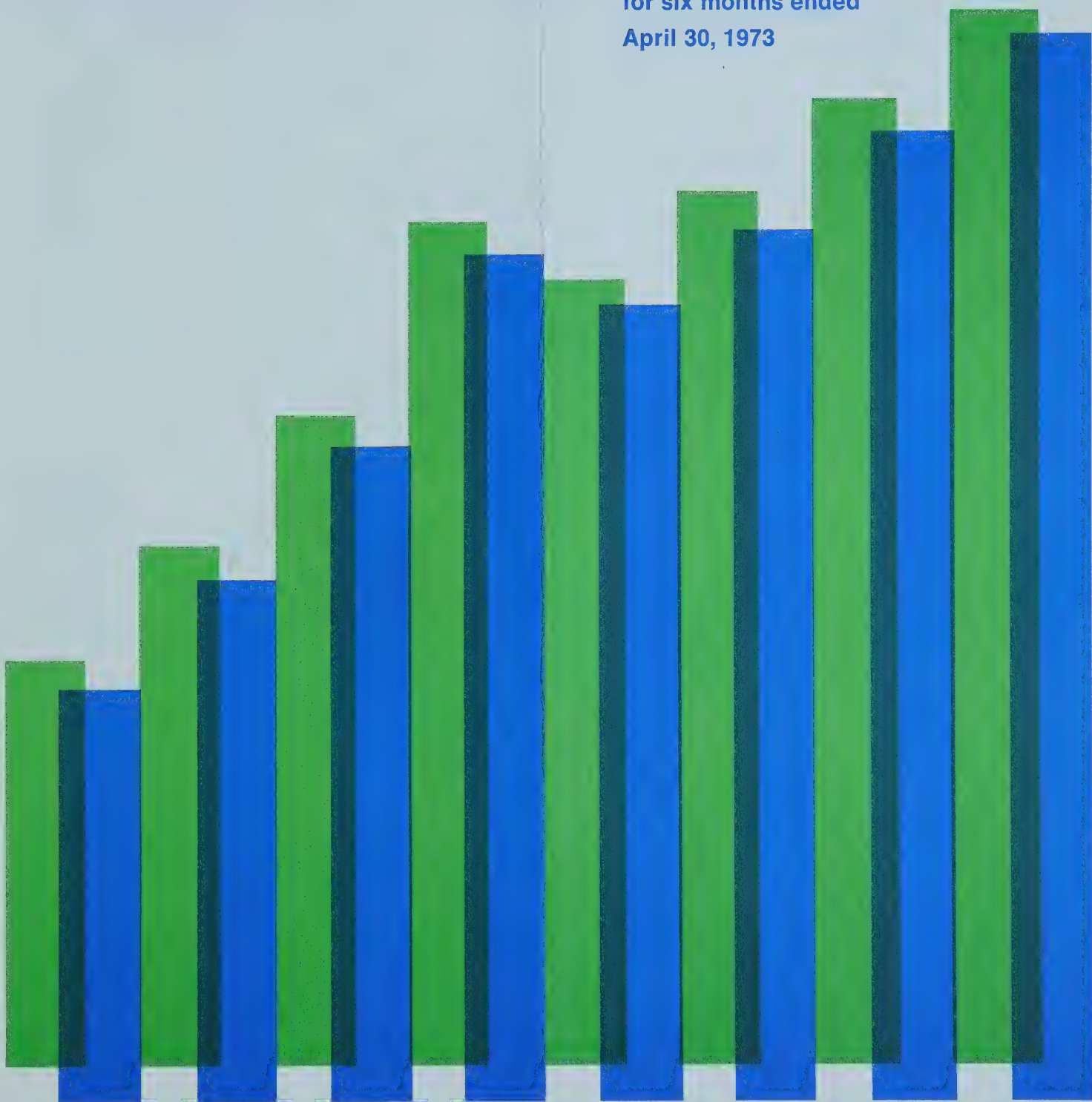
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SECOND QUARTER REPORT

File

for six months ended

April 30, 1973



Dawson Developments Limited

VANCOUVER CALGARY EDMONTON TORONTO

Consolidated Balance Sheets as at April 30, 1973

(with comparative figures for 1972)

Assets:	1973	1972
Cash and Term Deposits	\$ 274,337	\$ 23,166
Accounts Receivable	8,146,328	3,600,078
Agreements for Sale Receivable	9,001,911	3,496,811
Excess of Cost Over Billing	—	40,859
Land Under Development	9,003,358	2,661,885
Land Held for Development	7,098,161	9,008,952
Real Estate Held for Resale and Under Construction	12,216,248	4,852,710
Investments in and Advances to Affiliates and Joint Ventures	1,734,427	200,355
Income Properties Under Construction	10,232,793	3,011,182
Income Properties, at Cost, less Accumulated Depreciation	4,391,048	6,058,887
Equipment at Cost, less Accumulated Depreciation	383,026	392,991
Deferred Charges, at Cost, less Accumulated Amortization	229,905	219,154
	<u>\$62,711,542</u>	<u>\$33,567,030</u>
Liabilities:		
Bank Loans	\$ 4,264,513	\$ 4,160,656
Accounts Payable	5,633,975	3,812,936
Mortgages and Agreements for Sale Payable on Land	15,277,128	9,861,326
Excess of Billing Over Cost	147,053	—
Mortgage Advances on Real Estate Held for Resale and Under Construction	9,541,814	504,307
Mortgages Payable on Income Properties and Under Construction	12,419,525	4,123,635
Deferred Income Taxes	3,844,040	2,623,393
8.5% Convertible Sinking Fund Debenture, Series 'A'	4,200,000	4,200,000
	55,328,048	29,286,253
Minority Interest	—	92,055
Shareholders' Equity:		
Capital:		
Common Shares without Par Value;		
Authorized 3,000,000 Shares		
Issued 1972 — 1,003,080		
1973 — 1,267,540	3,081,704	1,165,404
Retained Earnings:		
Balance, beginning of year	3,869,447	2,885,847
Deduct — Dividends	75,957	—
	3,793,490	2,885,847
Add — Net Income for the Period	508,300	137,471
	<u>4,301,790</u>	<u>3,023,318</u>
	<u>7,383,494</u>	<u>4,188,722</u>
	<u>\$62,711,542</u>	<u>\$33,567,030</u>

Consolidated Statements of Income and Expenses for the Six Months Ended April 30, 1973

(with comparative figures for 1972)

	1973	1972
Revenue	\$17,052,549	\$11,283,543
Cost of Sales	15,095,367	10,212,350
Gross Income	<u>1,957,182</u>	<u>1,071,193</u>
Selling, General and Administrative Expenses	413,487	421,083
Depreciation and Amortization	91,730	86,800
Interest Expense	414,615	303,839
	<u>919,832</u>	<u>811,722</u>
Income Before Provision for Income Taxes	1,037,350	259,471
Provision for Income Taxes	529,050	122,000
Net Income for the Period	<u>\$ 508,300</u>	<u>\$ 137,471</u>
Earnings per Share	<u>41¢</u>	<u>14¢</u>

Consolidated Statement of Source and Application of Cash Funds for the Six Months Ended April 30, 1973 and 1972

Source of Cash Funds:	1973	1972
Operations —		
Net Income	\$ 508,300	\$ 137,471
Non Cash Charges —		
Depreciation and Deferred Charges	91,730	86,800
Deferred Income Taxes	529,050	122,000
Cash Funds Provided from Operations	<u>1,129,080</u>	<u>346,271</u>
Proceeds from Share Issue	405,900	14,400
Decrease in Investments in Affiliates and Joint Ventures	135,745	191,073
Increase in Mortgages and Agreements for Sale on Land	5,113,707	5,047,615
Increase in Bank Borrowing	1,306,947	470,100
Increase in Mortgage Advances on Income Properties and Real Estate Held for Resale	4,464,712	—
Decrease in Accounts and Agreements Receivable	—	6,521,849
Decrease in Income Properties Investment	—	2,218,079
Increase in Minority Interest	—	92,055
	<u>\$12,556,091</u>	<u>\$14,901,442</u>
Application of Cash Funds:		
Increase in Land Held for Development	\$ 4,354,558	\$ 4,628,414
Increase in Accounts and Agreements Receivable	3,925,876	—
Increase in Real Estate Held for Resale	846,216	(215,553)
Increase in Income Properties Investment	2,078,578	1,085,521
Decrease in Accounts Payable	1,238,503	3,444,278
Decrease in Mortgage Advances on Income Properties and Real Estate Held for Resale	—	3,212,267
Increase in Construction in Progress	—	2,746,515
Dividends	75,957	—
Income Taxes Payable	36,403	—
	<u>\$12,556,091</u>	<u>\$14,901,442</u>

The President's Report

In my report to shareholders for the first quarter of fiscal 1973, I presented an optimistic view of your Company's activity for the balance of the year and I see no reason to change that outlook. Indeed, an examination of the current report reveals that, if anything, my first quarter message was somewhat cautious.

Highlights of the six month period:

	1973	1972
Gross Revenue	\$17,052,000	\$11,280,000
Net Income	508,300	137,500
Earnings Per Share	.41	.14
Cash Flow Per Share	.90	.35
Average Number of Shares Outstanding	1,251,627	1,001,149

Since 1968 when we built Canada's first urban condominium project Dawson Developments Limited has been the pacesetter in this market. Our management reasoned correctly that the already limited supply of land suitable for residential development in Greater Vancouver could only lessen as demand increased. Inevitably, pressures created by a rapidly growing population would bring about higher density ratios as more and more families were priced out of the single family dwelling market.

Today we have what can best be described as a "supermarket" for condominiums, with more than 18 projects either under construction or being marketed in six Lower Mainland communities plus the City of Vancouver. Dawson now offers home ownership over a wide metropolitan area to families in virtually all income groups.

The Company's Alberta Division, while always a viable operation, showed its real strength in this period. Thirty percent of gross revenue

reported herein is attributable to land and real estate sales in Alberta.

Perhaps the most exciting event of the year thus far, took place in Calgary on April 30 when the first offering of lots in "The Properties" (featured in our 1972 Annual Report) was made. In less than two hours 207 residential building lots were sold to 14 different builders. Income from these sales will be recorded in the third quarter. Preparations are underway for a second offering later this year.

Also in Calgary, in the design stage, are a warehouse and a parking structure located close to our downtown office building.

Our Edmonton single family dwelling program continues apace with construction and sales activity in four different locations. The success of Dominion Centre Industrial Park now entering Phase II led us to seek other industrial land in the Edmonton area resulting in the acquisition of 173 acres in the northwest sector of that City. This parcel of land is, in the opinion of Dawson management, the number one Industrial Park location in Edmonton.

I foresee no radical change in the pattern of your Company's operations for the second half of 1973. Strong growth factors in Calgary, Edmonton and Vancouver with concomitant demands for all types of shelter continue to be evident.

Again, I wish to acknowledge and thank the management and staff of our Company. Their loyalty and extra effort are the "secret ingredients" in the continuing success of Dawson Developments Limited.

For the Board of Directors,

J. W. POOLE,
President and Chief Executive Officer.

Jan 10 1972

AR44

REPORT TO THE SHAREHOLDERS
OF DAWSON DEVELOPMENTS LIMITED

BY

JOHN W. POOLE, PRESIDENT
& CHIEF EXECUTIVE OFFICER

PRESS RELEASE

Dawson
Donald J. Owens - Public Relations
255-5471

For Release To: All Media

Date: January 10, a.m., 1972

It is with sincere pleasure and a distinct sense of accomplishment that I present this message for 1971.

From a modest beginning in 1964 as a builder of resource industry housing, Dawson Developments Limited has, in seven brief years, grown into a fully diversified real estate corporation. Your Company now develops and markets land, single and multiple family homes, high rise and garden apartments, and commercial properties such as office buildings, shopping centres and warehouses. That this has been accomplished through internal growth and without outside acquisition or merger

is a matter of pride to management and, we would hope, to our shareholders as well.

A financial comparison of 1971 with 1970 indicates an increase in earnings (\$856,000 versus \$708,000); an increase in gross revenue (\$26,116,000 versus \$15,417,000); and growth in assets (\$35,852,000 versus \$25,355,000).

Recognizing the problems inherent in attempting to measure the performance of a diversified company by operating division, this report will analyze the Company's business by profit centre. It is hoped that this definitive approach will present a more objective view of your Company's operations. The five profit centres are: Contract Construction, Land Development, Commercial Real Estate, Residential Real Estate, and Residential Income Properties.

CONTRACT CONSTRUCTION

The Contract Construction profit centre had, in 1971, its most active year in terms of gross revenue, \$10,600,000, up from \$6,400,000 in 1970. Profits, however, did not show a proportionate increase, improving by just \$20,000. While several factors contributed to this disappointing performance, the primary cause was the onslaught of severe weather conditions at extremely critical points in the construction sequence of two major resource

town projects. The resultant delays and cost overruns placed these contracts in a loss position. A careful, step by step analysis of all aspects of Contract Construction has produced programs calling for tighter cost-control, more accurate scheduling and improved site supervision. I am certain that this unfortunate experience will not be repeated.

Revenue from construction contracts in 1972 is expected to remain at the same level as reported in 1971. However, application of the above mentioned controls is expected to improve margins and make this profit centre a stronger contributor to earnings in 1972.

LAND DEVELOPMENT

While Land Development showed a decrease in sales to \$2,150,000 from \$3,215,000, its activities were largely devoted to the acquisition and assembly of raw land and considerable progress was made in this direction. Your Company's land bank currently exceeds 2,000 acres, which, when fully developed will support more than 10,000 dwelling units. This profit centre could increase its contribution to Company earnings during 1972 if favourable timing in relation to development permits and zoning obtains.

COMMERCIAL REAL ESTATE

Inasmuch as 1971 marks the birth of the Commercial Real Estate Division as a profit centre, it is fitting that this report draw attention to its operation.

Last year's annual report forecast the Company's entry into the commercial market by announcing the start of a 30,000 sq. ft. warehouse in Burnaby and a 12 storey office building in downtown Vancouver. In 1971 these projects were completed, leased and sold. The construction of a 500 car parking structure at 1070 West Pender, developed with Metro Parking Limited holding a 20% interest, was substantially finished. In addition, Greenwood Shopping Centre in Sparwood, British Columbia was built and its leasing program is well underway.

As this is written, ground is being broken for a 23 storey office building in downtown Calgary, and completion is near on the first phase of Mayland Centre, a 100,000 sq. ft. office-warehouse complex also in Calgary.

The Commercial Real Estate Division's plans for Vancouver in 1972 include an office building of 21 stories at 1050 West Pender and a 7 storey office building on West Broadway.

Vancouver, Calgary and Edmonton are Canada's strongest centres in terms of urban growth, and demand for commercial development is a direct extension of population increase. Intelligently located and well designed office buildings, shopping centres and warehouses will find ready acceptance in these metropolitan areas well into the foreseeable future.

Your Company intends to capture an increasing share of this market and the Commercial Real Estate Division will be a leading contributor to future earnings.

RESIDENTIAL REAL ESTATE

Multiple Family Dwellings

The term "multiple family dwelling" defines residential accommodation in a structure containing more than one family living unit whether the unit is rented or owned by the occupants. A condominium is a form of multiple family dwelling.

In 1964 your Company built Canada's first condominium development at Port Alice, British Columbia. Since that time it has produced and sold more than 700 units of this type in Victoria and the Lower Mainland of British Columbia.

In 1971, two projects in the Greater Vancouver area containing 321 units were virtually sold out before completion. The immediate acceptance of these compact, 3 bedroom townhouses by families in the under \$6,000 income group justified the Company's confidence in the existence of a strong market for this product.

While continuing the search for suitable locations for further developments of this type we are presently negotiating for land in

Metropolitan Vancouver on which to build multiple family projects aimed at families in the \$6,000 to \$12,000 yearly income bracket. I have no doubt that this market is every bit as viable as the one created by the more modest wage earners.

With 296 units under construction, about to be started or in the design stage, your Company has every intention of maintaining a strong position in the condominium field in 1972.

In addition to condominium sales, this profit centre reflects income derived from the sale of residential income properties.

RESIDENTIAL REAL ESTATE

Single Family Dwellings

Your Company is no stranger to single family dwelling construction. Most resource industry contracts call for the building of some homes of this type. However, it wasn't until 1970 that a major attempt was made to enter this market at the consumer level. In 1971, 95 homes were sold directly to individual buyers.

Fiscal 1972 will see Dawson Developments Limited move aggressively into this field. A carefully planned program was initiated in 1971 aimed at entering the single family dwelling market in the three major urban

centres of Vancouver, Edmonton and Calgary. A fifty units project is under construction in Edmonton and a further fifty homes have been started in Metropolitan Vancouver. Early spring will see the Calgary project come on-stream. In all, approximately 300 single family units will be built in these three cities in 1972.

RESIDENTIAL INCOME PROPERTIES

In many respects fiscal 1971 was a troublesome year for the Income Properties profit centre although the number of units in your Company's rental portfolio almost doubled (from 359 to 700).

A slow rent period on properties in Calgary and Burnaby along with corresponding start-up losses resulted in an operating deficit after deductions for depreciation and interest. I am pleased to report that these properties have shown a positive cash flow since July 1971 and, although this profit centre will not be a large contributor to earnings in 1972 I definitely look for a marked improvement.

Rental rates have not moved upwards at the same pace as building costs and interest charges, and it is difficult to produce residential income properties today that will contribute to current earnings. However, they are an important source of cash due to deferred income taxes. Profit from the sale of income properties is reported under Real Estate Sales.

Since future rents must move upward to justify investment costs your Company will continue its activity in this field, looking always for well designed projects in prime locations.

OUTLOOK

In a very real sense the financial strength of a diversified real estate company can be measured by its relationship with lending institutions. In fiscal 1971 your Company received mortgage commitments from Central Mortgage and Housing Corporation, two major acceptance companies, three national trust companies, three insurance companies and five chartered banks. This support from our lending institutions is a precious ingredient of our continuing success and you may be assured that we will work hard to preserve these relationships. Mortgage funds are in good supply today at rates considerably more attractive than last year and we are well capitalized at this time to carry on normal routine business. This means that we can financial maintain our anticipated activites for 1972 in construction, land development and the production of a variety of real estate projects for our own portfolio and for resale.

A recent five year study has shown that the most reliable sector of the Canadian economy in terms of steady production is the housing industry. New residential construction (excluding the cost of land) now accounts for over 4 percent of the Gross National Product. The rapid

growth in new family household formation, and the continuing trend toward urbanization indicate that housing construction expenditures will grow at an average annual rate of 6 percent. Supporting this demand is the fact that, during the next decade , the major home buying group (25 - 44 year olds) will grow twice as rapidly as the rest of the population. Furthermore, housing enjoys a high priority position on all government levels, benefiting from wide ranging initiatives offered by Federal and Provincial authorities.

In view of the above conditions my outlook for the housing industry can only be strongly optimistic and I predict a continuing high level of real estate activity in British Columbia, Alberta and indeed, in all of Canada.

On balance, 1972 should be a very good year for the Company. We are well represented in Calgary, Vancouver and Edmonton, the three fastest growing cities in Canada. Our products are designed to shelter man and his diverse enterprises, and so it can be said that our market is a direct extension of population growth. Our total revenue for next year should be approximately the same as this year, but I expect profit margins to improve.

On behalf of your Board of Directors, I would like to express my appreciation to our employees. They are largely responsible for your Company's continuing success.

PEACE

FINANCIAL HIGHLIGHTS

	12 Mos. Ended Feb. 29, 1968	8 Mos. Ended Oct. 31, 1968	Year Ended October 31, 1969 1970 1971		
Total Operating Revenue (\$000)	\$6,151	\$6,329	\$14,876	\$15,417	\$26,116
Net Income (\$000)	50	324	782	708	856
Earnings Per Share	7¢	43¢	78¢	71¢	86¢
Total Assets (\$000)	4,141	5,965	12,977	25,355	35,852
Shareholders' Equity (\$000)	197	540	2,472	3,180	4,036
Cash Flow Per Share	.33	.56	1.43	1.55	1.82

February 1972

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CURRENT INFORMATION

A PUBLICATION OF THE RESEARCH DEPARTMENT

AR44

DAWSON DEVELOPMENTS LIMITED

1971-1972		Recent Price	Earnings per Share*		P/E Ratio**	Dividend
High	Low		1971	1972(E)		
\$8.38	\$5.00	\$8.00	\$0.86	\$0.90	8.9	Nil

*October 31 year-end.

**Based on estimated 1972 reported earnings per share.

Summary

Current economic conditions, including the lower cost and greater availability of mortgage funds in combination with strong consumer demand augur well for both residential and commercial real estate development profits through 1972 and 1973. Dawson Developments is an aggressively managed builder-developer operating in the fast-growing markets of western Canada. Consequently, we believe the Company is well-positioned to achieve a high rate of earnings growth during the next two years. Moreover, the recently announced investment in major commercial income-producing properties constitutes a source of stable earnings growth in 1974 and beyond. Fiscal 1972 reported earnings per share are estimated at \$0.90 or \$0.69 on a fully-diluted basis. At the current price of \$8.00, the common shares of Dawson are trading at a modest multiple of just over 11 times our fully-diluted 1972 earnings estimate of \$0.69 per share and are recommended for longer term growth. At \$110.00, the Series A Convertible Debentures provide capital appreciation potential as well as a current yield of approximately 7.7%.

The Company

Dawson Developments Limited is a diversified real estate corporation operating in Alberta and British Columbia. The Company's original business was construction of permanent housing for employees of the forest, mining and petroleum industries in remote areas of western Canada. However, subsequent to obtaining public financing in early 1969, management diversified operations to include construction and development of both residential and commercial structures in urban centres of western Canada. An important part of this diversification has been the Company's acquisition of a large urban landholding which currently exceeds 2,000 acres held for future development. More recently, Dawson announced that greater corporate emphasis would be placed on retaining residential developments and particularly commercial buildings as income-producing properties. Over the next few years, it is the Company's intention to develop a long-term investment portfolio of diversified properties in Calgary, Edmonton and Vancouver. In line with this policy, construction has commenced on major office buildings in downtown Calgary (21 storeys) and Vancouver (23 storeys) and planning is in progress for the development and/or acquisition of additional properties.

The operations of the Company can be categorized into four broad areas of activity:

1. Contract housing construction for resource industries, government housing corporations and others.
2. The assembly and sub-division of land for use in the Company's own building and development programme and for sale to other builders.
3. The development and marketing of single family homes and condominium housing.
4. The development of residential and commercial (office, warehouse, and shopping centre) buildings for sale or retention as income-producing properties.

Review of 1971

With expansion into commercial real estate development and its most active year ever in resource industry and residential construction, Dawson's fiscal (October 31) 1971 operating revenue reached a record \$26.1 million versus \$15.4 million in the previous year. Net earnings showed a more moderate increase and were ahead 21% to \$856,000 versus \$708,000. The less than proportionate increase in profits was attributable to two factors:

1. Delays and cost overruns arising from adverse weather conditions in northern B.C. placed two major resource town projects in a loss position. As a result, the gross operating margin on construction contracts declined to 3.8% in 1971 compared to 5.9% and 12.4% in 1970 and 1969, respectively.
2. Land sales were the most important contributor to 1970 earnings and accounted for 46% of gross operating income. In 1971, however, both the volume and profitability of the Land Development division declined from the abnormally high levels of 1970.

Despite the unexpected losses, Dawson maintained its position as a major residential contractor for the resource-based industries in British Columbia. Major contracts in 1971 included projects for B.C. Forest Products Limited at Mackenzie, Kaiser Resources Ltd. at Sparwood, and Granduc Mines, Limited at Stewart. The Company also benefitted from the upturn in home-building in urban centres and, during 1971, over 350 units of condominium housing were completed in Vancouver and 55 units built in Victoria.

During its first full year of operation, the Commercial Real Estate division completed, leased, and sold a 30,000-square-foot warehouse and a 12-storey office building in Vancouver. In addition, two other projects, a small enclosed shopping centre in Sparwood, B.C., and a car parking structure in downtown Vancouver, were substantially completed. Three residential income properties were also completed and the number of apartment units in the rental portfolio increased from 359 to 700. Although rental revenues increased to \$852,000 from \$239,000 in 1970, the portfolio of income properties produced an operating deficit after deductions for depreciation and mortgage interest. The losses stemmed from start-up losses on new properties and a high vacancy rate during the first part of the year. By year-end, the income properties were generating a positive cash flow.

Outlook for 1972

Contract Construction

Resource town construction contracts will constitute an important, although declining, segment of Dawson's 1972 operations. Construction is presently being completed on contracts with B.C. Forest Products Limited at Mackenzie, B.C. and Kamloops Pulp and Paper at Kamloops, B.C. Bids have been submitted on numerous other projects and, based on the Company's past participation and performance in resource town construction, additional contracts will likely be awarded to Dawson for the spring and summer construction period. Building costs and problems can be unpredictable in remote northern areas and the profitability of resource town contracts are subject to fluctuation from year to year. However, tightened cost controls and improved site supervision have been introduced for the 1972 construction programme. The profit margin in the division should almost certainly improve from the low level of last year, resulting in a higher earnings contribution from this division in 1972. The Company has also arranged to perform approximately \$3 million of construction work in Vancouver this summer on a cost-plus basis.

Land Development

Outside of a longer term land assembly of 910 acres in northeast Calgary, most of Dawson's 2,000 acre land holding consists of smaller holdings in Greater Vancouver, i.e., parcels under 100 acres. The Land Development division will provide a good portion of the land required for the Company's 1972 building and development programme and also offer building lots for sale in two or three areas of Vancouver, including Lions Bay. Given the generally buoyant real estate markets, we believe the gross income of the Land Development division should at least be equivalent to last year.

Homebuilding

As well as maintaining last year's volume of condominium housing (400 units) Dawson is moving into single family housing construction in 1972. Management is familiar with this type of homebuilding (most resource industry contracts call for the building of single dwelling homes) and appear to have chosen a propitious time to enter this area of residential construction. With an ample supply of lower cost mortgage funds, demand for new homes should remain strong through 1972. Building programmes have already commenced in Vancouver (Surrey and Delta) and Edmonton (Sherwood Park and St. Albert) and operations will begin in Calgary this spring. Current plans call for construction of approximately 300 single family homes in these cities in 1972. Since undertaking development of one of Canada's first condominiums in 1965, Dawson has been a leader in this field of housing. Several smaller (35-75 units) condominium projects are under construction or planned in Vancouver and Edmonton this year. Properly financed and well-managed condominium projects have met with good homebuyer acceptance on the West Coast and we expect this particular area of housing will be a particularly profitable segment of Dawson's 1972 operations.

Income Properties

The 1972 development programme will consist entirely of commercial properties. The two main projects, a 23-storey office structure in Vancouver and a 21-storey building in downtown Calgary, will be retained in the portfolio of properties held for long-term investment. Two smaller projects, a small office building in Vancouver and a warehouse property in Calgary, will be offered for sale on completion of construction and leasing. In addition, the Company has recently sold three properties (the Sparwood shopping centre and two apartment projects) completed in prior years. The additional apartment units completed in 1971 along with the car parking facility in downtown Vancouver will more than offset the loss of rental revenue from the aforementioned sales and rental revenue is expected to almost double to \$1.5 million in the current year. With higher occupancies, the profitability of the portfolio of rental properties should also improve over 1971.

Earnings

The following sets out our earnings estimates for fiscal 1972 and compares the figures with 1971. The main construction period for the Company is from early spring to late fall and the majority of income will be realized in the second half of the fiscal year. In 1971, earnings for the first six months of the year amounted to \$165,000 or \$0.17 per share.

	1972 (Estimated)		1971	
	(000's)			
	Revenue	Gross Income	Revenue	Gross Income
Construction Contracts	\$10,000	\$ 700	\$10,630	\$ 408
Land	1,500	500	2,150	537
Real Estate - Residential	2,000	200	3,910	724
- Commercial	14,000	1,300	8,574	1,245
Income Property Rental (excluding mtg. int. and dep.)	1,500	700	852	463
Total	\$29,000	\$3,400	\$26,116	\$3,377
Less:				
Selling and Administrative Expense		\$1,000		\$ 955
Depreciation		250		243
Interest Expense (net of int. earned)		500		582
		\$1,750		\$1,780
Income Before Income Taxes		\$1,650		\$1,597
Deferred Income Taxes		750		741
Net Income		\$ 900		\$ 856
Reported Earnings per Share		\$0.90		\$0.86
Cash Flow per Share		\$1.90		\$1.82
Fully-diluted Earnings per Share ⁽¹⁾		\$0.69		\$0.69

- (1) For calculating fully diluted earnings per share, reported earnings have been increased by 1) the interest to be expensed for the year (after income taxes) on the Convertible Debentures, and 2) imputed earnings on the cash which would be received on the exercise of options. Imputed earnings have been calculated at a 7% after-tax rate of return.

Longer Term Growth

Numerous economic, social, and political factors indicate residential construction will be one of the most rapidly growing sectors of the Canadian economy through 1975. Dawson Developments possesses the resources and know-how to gain above-average participation in the growth of residential real estate development in a fast growing area of Canada. Residential construction (both resource town contracts and homebuilding in urban areas) will form a strong basis for corporate growth in the next two years and the Company appears capable of achieving further earnings growth in 1973. By 1974, the investment in a diversified portfolio of income properties will be generating over \$5 million in rental revenues and provide an important new source of stable earnings growth.

Capitalization as at October 31, 1971

	(000's)
Debt	
Mortgages and Agreements For Sale on Land	\$ 4,814
Mortgages Payable on Income Properties	7,336
Long-Term Lease Obligations	1,970
8.5% Convertible Sinking Fund Debentures, Series A due 1985	4,200
	\$18,320
Deferred Income Taxes	\$ 2,387
Shareholders' Equity	
Common Shares (1,000,200) (1)	\$ 1,151
Retained Earnings	2,886
	\$ 4,037
	\$24,744

- (1) As of October 31, 1971, 600,400 common shares of the Company were reserved for exercise of employee options on 56,400 shares at prices of \$5.00 and \$7.00, for payment on a parcel of land (40,000 shares), and for conversion of the 8.5% Convertible Sinking Fund Debentures (504,000 shares). Total potential dilution amounts to 60% of the common shares presently outstanding.

RICHARDSON SECURITIES OF CANADA

AFFILIATE OF
JAMES RICHARDSON & SONS, LIMITED
ESTABLISHED 1857

EXECUTIVE OFFICES: RICHARDSON BUILDING
ONE LOMBARD PLACE
WINNIPEG, MANITOBA
R3B 0Y2

BRITISH COLUMBIA

Vancouver	955 West Hastings Street, P.O. Box 129, Sta. A	682-1751
Victoria	Bentall Building, 1060 Douglas Street, P. O. Box 430	385-1421
Prince George	465 Quebec Street, P.O. Box 1240	563-1517

ALBERTA

Edmonton	Richardson Building, 10025 Jasper Avenue, P.O. Box 667	424-0231
Calgary	319 - 8th Avenue South West, P.O. Box 730	267-3100
Lethbridge	709 - 4th Avenue South P.O. Box 1210	327-5757

SASKATCHEWAN

Regina	S4P 3A1 1935 Scarth Street, P.O. Box 288	523-4681
Saskatoon	S7K 3P6 Financial Building, 222 - 22nd Street East, P.O. Box 1400	653-4420
Moose Jaw	S6H 4R3 18 High Street East, P.O. Box 1418	692-2337
Swift Current	S9H 3W3 115 Central Avenue, P.O. Box 427	773-3161

MANITOBA

Winnipeg	R3B 0X4 The Concourse, Lombard Place	943-9311
Brandon	R7A 4E7 123 - 10th Street, P.O. Box 878	727-0681

ONTARIO

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Galt	103 Main Street, P.O. Box 127	621-4350
Hamilton	22 King Street East, P.O. Box 2003	528-0477
Kenora	307 Second Street South	468-9881
Kingston	90 Brock Street, P.O. Box 180	544-7944
Kitchener	185 King Street West, P.O. Box 2005	578-1100
London	383 Richmond Street	433-2392
Ottawa	K1P 5A1 Victoria Building, 138 Wellington Street	237-0342
Sarnia	144 North Front Street, P.O. Box 2258	336-4840
Simcoe	61 Robinson Street, P.O. Box 250	426-3416
Windsor	656 Quellerie Avenue	254-5141

QUEBEC

Montreal	620 St. James Street West	849-4751
Quebec	Chauveau Building, 1195 St. Jean Street	525-7105

NEW BRUNSWICK

Fredericton	88 York Street, P.O. Box 251	475-6661
Moncton	801 Main Street, P.O. Box 337	855-1880
Saint John	63 Prince William Street, P.O. Box 280	657-3551

NOVA SCOTIA

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Dartmouth	48 Queen Street, P.O. Box 158	466-7634

PRINCE EDWARD ISLAND

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